LAW OFFICES
ALVORD AND ALVORD
200 WORLD CENTER BUILDING
918 SIXTEENTH STREET, N.W.
WASHINGTON, D.C.
20006-2973

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

ROBERT W. ALVORD+
CARL C. DAVIS*
CHARLES T. KAPPLER
JOHN H. DOYLE#
GEORGE JOHN KETO°
MILTON C. GRACE*
JAMES C. MARTIN, JR.#

*NOT A MEMBER OF D.C. BAR
+ALSO ADMITTED IN NEW YORK
°ALSO ADMITTED IN OHIO
#ALSO ADMITTED IN MARYLAND

OF COUNSEL
JESS LARSON
JOHN L. INGOLDSBY
URBAN A. LESTER

CABLE ADDRESS
"ALVORD"

TELEPHONE
AREA CODE 202
393-2266

TELEX
440367 A AND A

RECORDATION NO. 15369 Filed 1425

NOV 5 1987 -11 45 AM

INTERSTATE COMMERCE COMMISSION

November 5, 1987

7-309A053

No.
Date NOV 5 1987
Fee $ 10.00
ICC Washington, D.C.

ICC OFFICE OF THE SECRETARY
Nov 5 11 38 AM '87
MOTOR OPERATING UNIT

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, D.C.

Dear Ms. McGee:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303(a) are two original signed copies of a Fixed and Floating Charge Demand Debenture dated November 3, 1987 ($100,000,000), a primary document as defined in the Commission's Rules for the Recordation of Documents.

The name and address of the party executing the enclosed document is:

Debtor: S & P Canada II, Inc.
c/o Harris & Hardacre
Two Robert Speck Parkway
Mississauga, Ontario
L4Z 1H8

The railroad equipment covered by the enclosed document is set forth in Schedule "B" attached hereto and made a part hereof.

Also enclosed is a check in the amount $10 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return one stamped copy of the enclosed document to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.

Counterpart — C. T. Kappler

Secured Party: Bank of Montreal
Toronto, Canada

A short summary of the enclosed primary document to appear in the Commission's Index is:

Fixed and Floating Charge Demand Debenture dated November 3, 1987 ($U.S. $100,000,000) executed by S & P Canada II, Inc. covering railroad freight cars

Very truly yours,

Charles T. Kappler

Enclosures

OWNER CODE	CAR NUMBER	YEAR BUILT
R	NAHX49343	1971
R	NAHX49345	1971
R	NAHX49361	1971
R	NAHX49366	1971
R	NAHX49391	1971
R	NAHX49428	1971
R	NAHX49489	1971
R	NAHX49490	1971
R	NAHX49499	1971
R	NAHX49706	1973
R	NAHX49722	1973
R	NAHX49744	1973
R	NAHX50377	1972
R	NAHX50755	1972
R	NAHX54307	1973
R	NAHX54350	1973
R	NAHX54376	1973
R	NAHX54657	1973
R	NAHX54680	1973
R	NAHX54725	1973
R	NAHX54728	1973
R	NAHX54744	1973
R	NAHX54747	1973
R	NAHX54778	1973
R	NAHX56686	1975
R	NAHX57367	1975
R	NAHX57372	1975
R	NAHX57392	1975
R	NAHX800338	1971
R	NAHX800357	1972
R	NAHX800362	1972
R	NAHX800366	1972
R	NAHX800499	1973
R	NAHX800534	1973
R	NAHX800556	1974
R	NAHX801047	1975
R	NAHX801054	1975
R	NCHX38758	1975
R	NCHX38759	1975
R	NCHX38799	1975
R	NCHX43559	1972
R	NCHX43588	1972
R	NCHX43599	1972
R	NCHX46083	1973
R	WCFX4500	1980
R	WCFX4501	1980
R	WCFX4502	1980
R	WCFX4503	1980
R	WCFX4504	1980
R	WCFX4505	1980
R	WCFX4506	1980
R	WCFX4507	1980

OWNER CODE	CAR NUMBER	YEAR BUILT
R	WCFX4508	1980
R	WCFX4509	1980
R	WCFX4510	
R	WCFX4511	
R	WCFX4512	
R	WCFX4513	
R	WCFX4514	
R	WCFX4515	
R	WCFX4516	
R	WCFX4517	
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R	WCFX4554	
R	WCFX4555	
R	WCFX4556	
R	WCFX4557	
R	WCFX4558	
R	WCFX4559	1980

OWNER CODE	CAR NUMBER	YEAR BUILT
R	WCFX4560	1980
R	WCFX4561	
R	WCFX4562	
R	WCFX4563	
R	WCFX4564	
R	WCFX4565	
R	WCFX4566	
R	WCFX4567	
R	WCFX4568	
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R	WCFX4591	
R	WCFX4592	
R	WCFX4593	
R	WCFX4594	
R	WCFX4595	
R	WCFX4596	
R	WCFX4597	
R	WCFX4598	
R	WCFX4599	1980

OWNER CODE	CAR NUMBER	YEAR BUILT
D	NAHX49239	1971
D	NAHX49252	1971
D	NAHX49255	1971
D	NAHX49268	1971
D	NAHX49307	1971
D	NAHX49311	1971
D	NAHX49445	1971
D	NAHX50339	1972
D	NAHX50499	1972
D	NAHX50777	1972
D	NAHX50787	1972
D	NAHX50865	1972
D	NAHX50890	1972
D	NAHX50914	1973
D	NAHX50917	1973
D	NAHX50930	1973
D	NAHX50963	1973
D	NAHX50985	1973
D	NAHX50986	1973
D	NAHX50991	1973
D	NAHX52814	1973
D	NAHX52836	1973
D	NAHX52932	1973
D	NAHX52938	1973
D	NAHX52974	1973
D	NAHX53504	1973
D	NAHX53523	1973
D	NAHX53524	1973
D	NAHX53605	1973
D	NAHX53615	1973
D	NAHX53623	1973
D	NAHX53626	1973
D	NAHX53636	1973
D	NAHX53641	1973
D	NAHX53655	1973
D	NAHX53669	1973
D	NAHX53699	1973
D	NAHX54336	1973
D	NAHX54358	1973
D	NAHX54372	1973
D	NAHX54397	1973
D	NAHX54617	1973
D	NAHX54637	1973
D	NAHX54709	1973
D	NAHX54720	1973
D	NAHX54729	1973
D	NAHX54731	1973
D	NAHX54745	1973
D	NAHX54755	1973
D	NAHX54758	1973
D	NAHX54759	1973
D	NAHX800038	1974

OWNER CODE	CAR NUMBER	YEAR BUILT
R	NAHX38062	1961
R	NAHX455064	1978
R	NAHX455076	1978
R	NAHX455581	1979
R	NAHX465349	1979
R	NAHX465373	1979
R	NAHX475034	1974
R	NAHX475165	1974
R	NAHX475882	1974
R	NAHX477325	1975
R	NAHX477334	1975
R	NAHX477341	1975
R	NAHX477342	1975
R	NAHX477343	1975
R	NAHX477347	1975
R	NAHX477351	1975
R	NAHX477353	1975
R	NAHX477356	1975
R	NAHX477359	1975
R	NAHX477364	1975
R	NAHX477366	1975
R	NAHX477367	1975
R	NAHX477369	1975
R	NAHX477378	1975
R	NAHX477377	1975
R	NAHX477379	1975
R	NAHX477386	1975
R	NAHX477387	1975
R	NAHX477388	1975
R	NAHX477391	1975
R	NAHX477392	1975
R	NAHX477394	1975
R	NAHX477397	1975
R	NAHX477957	1975
R	NAHX478598	1975
R	NAHX478601	1975
R	NAHX479435	1978
R	NAHX479436	1978
R	NAHX479443	1978
R	NAHX479451	1978
R	NAHX479455	1978
R	NAHX479456	1978
R	NAHX479479	1978
R	NAHX479487	1978
R	NAHX479527	1978
R	NAHX479529	1978
R	NAHX48318	1970
R	NAHX48351	1970
R	NAHX48507	1971
R	NAHX49170	1971
R	NAHX49209	1971
R	NAHX49257	1971

OWNER CODE	CAR NUMBER	YEAR BUILT
D	NAHX46870	1974
D	NAHX475176	1974
D	NAHX475461	1974
D	NAHX475472	1974
D	NAHX475530	1974
D	NAHX475596	1974
D	NAHX475706	1974
D	NAHX478400	1975
D	NAHX478442	1975
D	NAHX478444	1975
D	NAHX479387	1978
D	NAHX480359	1979
D	NAHX480362	1979
D	NAHX480820	1979
D	NAHX481130	1979
D	NAHX481136	1979
D	NAHX482190	1979
D	NAHX482503	1979
D	NAHX482514	1980
D	NAHX482515	1980
D	NAHX482520	1980
D	NAHX482526	1980
D	NAHX482531	1980
D	NAHX482544	1980
D	NAHX482582	1980
D	NAHX482595	1980
D	NAHX49100	1971
D	NAHX49102	1971
D	NAHX49115	1971
D	NAHX49124	1971
D	NAHX49126	1971
D	NAHX49129	1971
D	NAHX49130	1971
D	NAHX49133	1971
D	NAHX49138	1971
D	NAHX49139	1971
D	NAHX49147	1971
D	NAHX49148	1971
D	NAHX49150	1971
D	NAHX49164	1971
D	NAHX49175	1971
D	NAHX49182	1971
D	NAHX49184	1971
D	NAHX49187	1971
D	NAHX49188	1971
D	NAHX49192	1971
D	NAHX49198	1971
D	NAHX49200	1971
D	NAHX49212	1971
D	NAHX49220	1971
D	NAHX49230	1971
D	NAHX49236	1971

CODE	NUMBER	DUTY
D	NAHX800042	1974
D	NAHX800457	1974
D	NAHX800672	1974
D	NAHX801067	1974
D	NAHX801257	1974
D	NAHX801259	1974
D	NAHX9014	1979
D	NAHX9017	1979
D	NAHX9037	1979
D	NAHX9048	1979
D	NAHX9144	1979

FIXED AND FLOATING CHARGE DEMAND DEBENTURE

S & P CANADA II, INC., a company
incorporated under the laws of Canada

c/o Harris & Hardacre
Two Robert Speck Parkway
Mississauga, Ontario
L4Z 1H8

RECORDATION NO. 15369 Filed 1425

NOV 5 1987 · 11 45 AM

INTERSTATE COMMERCE COMMISSION

U.S.$ 100,000,000 DUE: On Demand

WHEREAS S & P CANADA II, INC. as Canadian Borrower, (herein called the "Corporation") and S&P U.S., INC. (herein called "S&P U.S.") and KCL Holdings, Inc. (herein called "KCL") (S&P U.S. and KCL herein collectively called the "Guarantors") entered into an Acquisition Credit Facility Agreement dated November 2, 1987 (as the same may be amended from time to time being hereinafter referred to as the "Acquisition Credit Agreement") with Bank of Montreal (the "Agent"), as the Agent for and on behalf of the Banks, including Bank of Montreal as the Initial Bank.

1.00 PROMISE TO PAY

1.01 Principal and Interest

The Corporation, for value received hereby acknowledges itself indebted and promises to pay to or to the order of the Bank of Montreal as the Initial Bank and as the Agent for and on behalf of the Banks ON DEMAND, or on such earlier date as the principal moneys hereby secured may become payable in accordance with the terms hereof, the principal sum of One Hundred Million Dollars (U.S.$100,000,000) of lawful money of the United States at the head office of the Bank of Montreal in the City of Toronto or at such other place as the Bank of Montreal may designate from time to time by notice in writing to the Corporation and shall pay interest thereon at such office or place at the rate of fifteen per cent (15%) per annum in lawful money of the United States both before and after maturity, default and/or judgment and until actual payment and shall pay interest on overdue interest at the same rate. Such interest shall be calculated and payable monthly on the last Business Day of each month.

2.00 **SECURITY**

2.01 **Fixed and Floating Charge**

As security for the payment of the principal and interest and all other moneys from time to time owing hereunder and the observance and performance by the Corporation of its covenants and obligations hereunder (all of which principal, interest, moneys, covenants and obligations are herein collectively called the "Obligations"), but subject to the exception as to leaseholds hereinafter contained, the Corporation hereby:

2.01.1 grants, assigns, conveys, mortgages, pledges and charges as and by way of a first fixed and specific mortgage, pledge, charge and security interest to and in favour of the Bank of Montreal, as the Initial Bank and as Agent for and on behalf of the Banks:

(a) all freehold and real and immovable property (the Freehold Property") now or hereafter owned or acquired by the Corporation including without limitation, the lands and premises described in Clause IA of Schedule 1.13 of the Canadian Potash Business Purchase and Sale Agreement, dated August 20, 1987 between PPG Canada Inc. and S & P Canada, Inc. (as amended referred to as the "Canadian Agreement"), together with all claims or demands, either at law or in equity, in possession or expectancy of, in or to such real property, any holding or ownership interest in such real property, all privileges or royalties appertaining thereto and all buildings, plants, shafts, solution minefield facilities, premises, works, cooling ponds, systems, structures, improvements, betterments, renewals, substitutions, replacements, erections and fixtures now or hereafter constructed, located or placed thereon, affixed or attached thereto, above or below ground, or used or usable in any way in connection with the use, enjoyment, occupying or operating thereof, including without limitation, all equipment, apparatus, fixtures, machinery, fittings, elevators, escalators, appliances and building materials not yet incorporated therein, and including such of the foregoing as may be used in connection with the air-conditioning, generating or distributing of air, water, heat, electricity, light, fuel, refrigeration or inventory, or for ventilating or sanitary purposes or the removal of dust, refuse or garbage;

(b) all leasehold property (the "Leasehold Property") now or hereafter leased (including under any sale and lease-back or similar transaction relating to any of the Freehold Property) by the Corporation including but not limited to all Leasehold and sub-leasehold estates and the leasehold lands and premises described in Clause IB of Schedule 1.13 of the Canadian Agreement, together with all buildings, structures, plants, shafts, solution minefield facilities, premises, works, improvements, betterments, renewals, substitutions, replacements, erections and fixtures now or hereafter constructed, located or placed thereon, affixed or attached thereto, above or below ground, (to the extent of the Corporation's present or future interest therein) including without limitation, all equipment, apparatus, fixtures, machinery, fittings, elevators, escalators, appliances and building materials not yet incorporated therein, and including such of the foregoing as may be used in connection with the air-conditioning, generating or distributing of air, water, heat, electricity, light, fuel, refrigeration or inventory, or for ventilating or sanitary purposes or the removal of dust, refuse or garbage, and all right, title or interest of the Corporation in and to any leases of real property and all modifications, amendments, consolidation, extensions or renewals thereof and any right or privilege to renew such leases;

(c) all licenses, permits and other rights in respect of hydrocarbons or minerals, relating to the obtaining, removing or extracting of such hydrocarbons or minerals or enabling the Corporation to enter upon, occupy, or use any lands from or on which such hydrocarbon or minerals are or may be located or the estate or interest of the Corporation in or to such hydrocarbons or minerals, rights, licenses, permits or lands (whether the estate or interest is whole or partial) now or hereinafter owned by, or licensed to the Borrower or in which it now or hereafter has any interest (the "Mineral Rights"), including without limitation, Mineral Interests in respect of the Freehold Property, the Leasehold Property or described in Clause IC of Schedule 1.13 of the Canadian Agreement;

(d) all present or future rights, title and interest of the Corporation in, to or under any agreements or right granting, conveying or creating any easement, right or licence relating to the Freehold Property, the Leasehold Property or the Mineral Rights, together with all streets, roads and public places (opened and proposed), all easements, rights of way (public and private), franchises, intersections, hereditaments, rights and appurtenances, now or hereinafter used in connection with, belonging or appertaining to any of the Freehold Property, the Leasehold Property or the Mineral Rights or otherwise appertaining to the business of the Corporation, including but not limited to the Water Pipeline Right-Of-Way described in Schedule 1.13A of the Canadian Agreement;

(e) all assets of the Corporation, whether now owned or existing or hereafter owned or arising, wherever located, including without limitation, all equipment, machinery, personal property, vehicles, trucks, forklifts, cranes, tractors, plows, hopper and rail cars (including without limitation, those described in the attached Schedule "B"), rolling stock, furniture, furnaces, solution mining facilities, engines, works, boilers, generators, pumps, piping, tanks, dredges, dryers, chutes, conveyors, rigs, tools, typewriters, word processors, photocopiers, telephones, telecopy machines and other chattels and tangible personal property of every nature and kind now or hereafter owned or acquired by the Corporation or of which it now or hereafter has an interest in or possession of (other than the Inventory or the Accounts Receivable, as hereinafter defined, or the Mineral Rights), including without limitation, the equipment, machinery, vehicles and other tangible personal property described in Clauses II and III of Schedule 1.13 of the Canadian Agreement and the equipment and casing used or to be used in extracting, mining, producing or seeking to extract or produce minerals or used in storing any minerals or hydrocarbons.

2.02 grants, assigns, conveys and charges to and in favour of Bank of Montreal, as the Initial Bank and as the Agent for and on behalf of the Banks, as and by way of a first security interest, its undertaking and all its property and assets for the

time being, real and personal, movable and immovable, of whatsoever nature and kind and wheresoever located, now owned or hereafter acquired (except such property and assets as are otherwise validly and effectively subject to the fixed and specific mortgages, pledges, security interests and charges created hereby) including, without limitation:

(a) all potash and other inventories (the "Inventory") of whatever kind, now or hereafter owned by the Corporation, including without limitation, to all goods, merchandise, raw materials, work in process, finished goods and other tangible personal property now or hereinafter held for sale, lease or resale or that are to be furnished under a contract of service or that are used or consumed in the business of the Corporation;

(b) all debts, book debts, accounts, accounts receivable, claims, deposits, demands, monies, rights to tax refunds, amounts due from Affiliates, and choses in action whatsoever (the "Accounts Receivable") including, without limitation, claims against any government or governmental body, claims under insurance policies, sums which at any time may be credited by or due from the Agent or the Banks to the Corporation and any refundable deposits posted or made to any person, agency or other entity as security or otherwise, which are now owned by or are due, owing or accruing due to the Corporation or which may hereafter be owned by and become due, owing or accruing due to the Corporation;

(c) all intangibles, including without limitation, general intangibles (the "Intangibles") now or hereafter owned by the Corporation or in which the Corporation now or hereafter has a right or right of use, including without limitation, all permits, licences, consents, approvals and orders determinations and other permissions of any government, minister, cabinet or governmental department, commission, agency or other body (including those described in Schedule 4.18.5 of the Canadian Agreement), prepaid expenses, goodwill, stocks, securities, shares, customer lists, marketing and credit information, operating records, price lists, sales literature, patents, trademarks and logos (including the name "Kalium", the Kalium logo and the trademarks registered in Canada as numbers 179,905 and 223,001 and

223,017), service marks, copyrights, industrial designs, applications for any of the foregoing and other industrial or intellectual property or rights therein, including without limitation, to any technology relating to potash or solution mining or otherwise relating to the business of the Corporation (including the Corporation's rights under the Solution Mining Agreement between Kalium Chemicals Limited and PPG Industries, Inc. dated December 12, 1972 as amended), and all Intangibles described in Schedules 1.13, 4.18.5 and 11.2 to the Canadian Agreement;

(d) all books, accounts, invoices, letters, papers, writings, files, security certificates, documents and other records in any form (including without limitation, computer software and licenses to use such software, computer records, tapes, electronic, magnetic or optical data, all related processing software and rights to retrieval from third parties of electronically, magnetically or optically processed or stored data) evidencing or relating to any property, assets or rights charged pursuant to this Debenture, together with all writings, contracts, licenses, securities, instruments and other benefits with respect thereto, now and hereafter owned by the Corporation or in which it now or hereafter has an interest in any way relating to any of its property, whether or not in the possession of the Agent or the Banks (the "Books and Records");

(e) all contract rights, (including without limitation, in respect of all maintenance, service, private siding, construction, purchase, sales, instalment purchase, resource payment, product transfer, terminal services, storage handling, access, crossing, rail transportation, letting, sublease and lease agreements, licenses, letters of intent and all other binding arrangements relating to the potash business or the Mortgaged Property, oral or written, and guarantees and securities therefor, all goods giving rise thereto and the rights pertaining to such goods and all related insurance, and all amendments, modifications, supplements, additions, extensions and renewals thereof and thereto, and all rights to enforce, whether at law or in equity or by any other means, all provisions or options thereof), chattel paper, instruments and other

obligations of any kind, all documents of title, policies and certificates of insurance, securities, deposits and cash, and all rights to the payment of money, including without limitation, amounts due from Affiliates, Tax refunds and insurance proceeds;

(f) all substitutions and replacements, increases, additions, accessions and successions to the Mortgaged Property;

(g) all proceeds of all or part of the Mortgaged Property, including without limitation, all Personal Property or fixtures derived directly or indirectly from any dealing with any of the Mortgaged Property or that compensates or indemnifies for any property or rights of the Corporation destroyed, damaged or lost or that represents any conversion, voluntary or involuntarily, of any of the Mortgaged Property into cash or liquidated claims, and proceeds of proceeds whether of the same type, class or kind as the original proceeds, including without limitation, all judgments, damages, awards, settlements and compensation (including interest thereon) for any injury, decrease in value or any other reason, relating to the Mortgaged Property, and whether or not the result of any action of any government or lawful authority and payments made or which become due under policies of insurance insuring any of the property of the Corporation (the "Proceeds");

(h) all of the Corporation's rents, royalties, issues, profits, revenues, products and proceeds and other benefits of the Mortgaged Property, arising from the use occupation, letting or enjoyment of all or any portion thereof, from any contract or bond relating to any construction in respect of the Mortgaged Property or from any lease or agreement pertaining to the Mortgaged Property, all rights to the payment of money, including without limitation, amounts due from Affiliates and Tax refunds, all rights, title and interest or the Corporation in and to all leases of the Mortgaged Property now or hereafter entered into and all right, title and interest or the Corporation thereunder, including without limitation, cash or securities deposited thereunder to secure performance by the lessees of their obligations

thereunder, whether said cash or securities are to be held until the expiration of the terms of the said leases or applied to one or more of the installments of rent coming due immediately prior to the expiration of said terms (the "Rents and Profits"); and

(i) all judgments, securities, choses in action and other property and things of value of every kind and nature, tangible or intangible, legal or equitable, which the Corporation may now or hereafter be possessed of or entitled to or which may now or hereafter be owned by the Corporation.

2.02 Definitions

In this Debenture, unless there is something in the subject matter or the context inconsistent therewith, the following terms shall have the meanings herein specified:

2.02.1 "Affiliate" means an affiliated body corporate within the meaning of section 2(2) of the Canada Business Corporations Act, and includes a Subsidiary;

2.02.2 "Agent" means Bank of Montreal, in its capacity as Agent for the Banks (including the Initial Bank) under the Acquisition Credit Agreement and hereunder and includes any assignee of or successor to the rights of Bank of Montreal as Agent;

2.02.3 "Agent's Counsel" means McMaster Meighen as legal counsel to the Agent;

2.02.4 "Banks" means the Initial Bank alone or, if there is more than one Bank, the Initial Bank and any other banks or lenders which shall have become "Banks" within the meaning of the Acquisition Credit Agreement, and any assignees thereof;

2.02.5 "Borrowing" or "Borrowings" means a utilization of the Facility by way of loans, by the issue of letters of credit or by the issue of bankers' acceptances;

2.02.6 "Business Day" shall mean any day when Bank of Montreal is open for business at its branch in Toronto, Ontario;

2.02.7 "Charges" shall mean the grants, assignments, transfers, conveyances, mortgages, pledges, security interests and charges created by section 2.01;

2.02.8 "Cluster Mine Costs" means the expenditure made or liabilities incurred by the Corporation in any Fiscal Year to construct and complete in such Fiscal Year a Cluster Mine, as that term is defined in the initial mining plan submitted to the Agent, such costs to be acceptable to the Agent;

2.02.9 "Encumbrance" shall include, without limitation, a mortgage, pledge, charge, hypothec, assignment, security interest, lien (statutory or other), deemed trust, encumbrance, or other security interest of any kind whatsoever with respect to the property and assets of the Corporation, including without limitation, any conditional sale or other title retention agreement and any financing lease under which the Corporation is lessee, having substantially the same effect as any of the foregoing;

2.02.10 "Event of Default" means an "Event of Default" as that term is defined in either the Acquisition Credit Agreement or the Revolving Credit Facility Agreement between, inter alia, the Corporation, the Guarantors and the Agent (the "Revolving Facility Agreement");

2.02.11 "Facility" means the credit facility in the aggregate amount of U.S. $30,000,000 or the equivalent amount thereof in Cdn. $ made available in accordance with the Acquisition Credit Agreement;

2.02.12 "Fiscal Year" means, in respect of the Corporation or S & P U.S., its fiscal year, which shall be (a) a period of twelve (12) consecutive months and (b) the same as the fiscal year of the other of the Corporation and S & P U.S.;

2.02.13 "Initial Bank" means Bank of Montreal, which has made available or will make available initially the Borrowings;

2.02.14 "Instructing Group" means (a) if the only of the Banks is the Initial Bank, the Initial Bank or (b) if there is more than one Bank, a group of Banks to whom is owed at such time an amount equal to or greater than 66 2/3% of the Principal Amount of Borrowings then outstanding whether directly for Loans or contingently or bankers' acceptances;

2.02.15 "lease" or "leases" means and includes all tenancies, subtenancies, leases and subleases (and the terms "lessor", "lessees" and "tenants" and "landlord" shall

be construed similarly);

2.02.16 "Mortgaged Property" shall mean the property, assets and undertaking of the Corporation which are subject to the Charges and the term "Mortgaged Property" shall refer to the Mortgaged Property or any part thereof;

2.02.17 "Permitted Encumbrances" means the charges or other Encumbrances:

(a) in respect of the Freehold Property, Leasehold Property, Mineral Rights or other Mortgaged Property, as described in Schedules 1.13 (Assets), 4.3 (Filings or Consents required to Perfect Title) and 4.6 (Exceptions to Good and Marketable Title) to the Canadian Agreement; or

(b) otherwise described in Schedule "A" hereto;

2.02.18 "Personal Property" shall mean such of the Mortgaged Property as is, from time to time, personal property, and refers to the whole or any part of such personal property;

2.02.19 "Principal Amount" means, for a bankers' acceptance, the face amount thereof, and for a loan, the principal amount thereof;

2.02.20 "Purchase Money Encumbrance" shall mean any Encumbrance created or assumed over property hereafter acquired by the Corporation, to secure all or any part of the indebtedness incurred by the Corporation in connection with the acquisition of such property (not in excess of the acquisition price of such property) or any extension or renewal or replacement of such indebtedness provided that the principal amount of such indebtedness is not increased;

2.02.21 "Subordinated Debt" means the injection into the Debtor and the Canadian Borrower, on a consolidated basis of not less than U.S. $30,000,000, or the equivalent amount in Canadian dollars on such date, of subordinate debt;

2.02.22 "Subsidiary", of any person, means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or of others performing similar functions are directly or indirectly owned or controlled by such person;

2.02.23 "Taxes" means and includes all present and future taxes, levies, imposts, stamp taxes, duties, withholdings and all penalty, interest and other payments on or in respect thereof; and

2.02.24 "to the extent permitted by law" and similar expressions shall be construed as if followed by the phrase "with all legally and permissible waivers and releases granted by the Corporation".

2.03 Dealing in Ordinary Course

Until the Charges become enforceable, the Corporation may, provided to do so is not contrary to any of the covenants, terms and provisions hereof or any other covenant of the Corporation contained in any other agreement or instrument from time to time in effect between the Corporation and the Agent, the Initial Bank or the Banks, dispose of or deal with the Mortgaged Property in the ordinary course of its business and for the purpose of carrying on the same, provided that the Corporation shall not, without the prior written consent of the Instructing Group, create, assume or have outstanding, except to the Agent, the Initial Bank or the Banks, any Encumbrance on the Mortgaged Property except Purchase Money Encumbrances created in accordance with the terms hereof and Permitted Encumbrances.

2.04 Habendum

Bank of Montreal, as Agent for and on behalf of the Banks, shall have and hold the Mortgaged Property forever but subject to the terms and conditions herein set forth.

2.05 Rents and Profits

2.05.1 The Rents and Profits derived from the Mortgaged Property, the Proceeds and the Books and Records relating to the same are hereby absolutely and unconditionally assigned, transferred, conveyed and set over to the Agent and the Banks to be applied by the Agent and the Banks in payment of the Obligations. Upon the occurrence of a Default as provided herein, the Agent may (for and on behalf of the Banks) give or file such notices of Default and give such notices to the Corporation and third parties as it sees fit, in its absolute discretion. Prior to the happening of any Default as provided herein, the Corporation shall collect and receive all Rents and Profits and Proceeds as trustee for the benefit of the Agent and the Banks and shall apply the amount so collected first to the payment of the Obligations. Thereafter, so long as no Default has occurred, the balance shall be distributed to the account of the Corporation free of any trust. Nothing contained in this

section or elsewhere in this Debenture shall be construed to make the Agent or the Banks mortgagees in possession or otherwise impose any obligation on the Agent or the Banks (except that the Agent and the Banks shall be accountable for any money received pursuant to this section), unless and until the Bank actually takes possession of the Mortgaged Property.

2.05.2 Except as otherwise permitted by the Instructing Group, the Corporation shall not: (a) execute an assignment of any of its right, title, or interest in the Rents and Profits or the Proceeds; or (b) except where the lessee is in default thereunder, terminate or consent to the cancellation or surrender of any lease of the Mortgaged Property or of any part thereof, now existing or hereafter to be made; or (c) modify any lease of the Mortgaged Property or any part thereof so as to shorten the unexpired term thereof or so as to decrease the amount of the rent payable thereunder; or (d) accept prepayments of any installments or rent to become due under any of said leases in excess of the next month's rental or prepayments in the nature of security for the performance of the lessee's obligations thereunder; or (e) in any of other manner impair the value of the Mortgaged Property or the security of this Debenture; or (f) enter into or consent to any leases, including any amendment or modification thereof, of all or any part of the Mortgaged Property or any other agreements, or any amendments or modifications thereof, including management agreements, concessions, or the like, relating to all or any part of the Mortgaged Property, except in form and substance approved by the Agent (with all necessary authorizations from the Instructing Group) and Agent's Counsel.

2.05.3 The Corporation shall not execute any lease of any part of the Mortgaged Property without the prior written consent of the Instructing Group. The Corporation shall, at all times, promptly and faithfully perform or cause to be performed all the covenants, conditions and agreements contained in all leases of the Mortgaged Property now or hereafter existing, on the part of the lessor thereunder to be kept and performed.

2.05.4 The Corporation shall promptly give to the Agent a full and descriptive notice of any default or breach of covenant or condition on the part of any lessee of all or any material (determined in the Agent's reasonable discretion) part of the Mortgaged Property which is not cured within the applicable grace period set forth in such lessee's lease.

2.05.5 To the extent not prohibited by applicable law, each lease entered into after the date hereof of the Mortgaged Property or any part thereof shall provide that, in the event of the enforcement by the Agent and the Banks of the remedies

provided for by law or by this Debenture, the lessee thereunder will, if requested by the Agent or the Instructing Group or by any person succeeding to the interest of the Agent or the Banks as the result of said enforcement, automatically become the lessee of any such successor in interest, without any change in the terms or other provisions of the respective lease; provided, however, that said successor in interest shall not be bound by:

(a) any payment of rent or additional rent in excess of the next month's rental paid in advance or any prepayments in the nature of security for the performance of the lessee's obligations under the lease; or

(b) any amendment or modification in the lease made without the consent of the Instructing Group or any successor in interest.

Each lease shall also provide that, upon request by said successor or interest, the lessee shall execute and deliver an instrument or instruments confirming its attornment.

2.06 <u>Leasehold Property</u>

2.06.1 The last day of the term of any lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Corporation as lessee (the "Mortgaged Leases") shall be excepted from the Charges hereby created and shall not form part of the Mortgaged Property but the Corporation shall stand possessed of such one day remaining upon trust to assign and dispose of the same as the Agent (on behalf of the Banks) or any assignee of such lease or agreement shall direct. If any such lease or agreement therefor contains a provision which provides in effect that such lease or agreement may not be assigned, sub-leased, charged or encumbered without the license, leave, consent or approval of the lessor, then the application of the Charges to any such lease or agreement shall be conditional upon such leave, license, consent or approval having been obtained. Subject to the terms of any consent of the landlords of the Leasehold Property, this Debenture is made subject to the rights of landlords under the Mortgaged Leases.

2.06.2 The Agent shall help and diligently perform (or cease to be performed) each and every covenant, agreement and obligation of the lessee set forth in the Mortgaged Leases, and not commit, suffer or permit any breach thereof. If the Agent shall default in the performance of any of the terms, covenants and conditions of the Mortgaged Lease, the Agent (on behalf of the Banks) shall have the option to take any action necessary or desirable to cure any such default and may enter upon the Leasehold Property for such purposes. The Agent shall give

immediate notice to the Agent of any default under any of the Mortgaged Leases and shall promptly deliver a true copy of each notice of default. The provisions hereof shall not restrict or limit any of the Agent's duties and obligations as lessee under any of the Mortgaged Leases.

2.06.3 There shall be no merger of the Mortgaged Leases or any interest therein, nor of the leasehold estate created thereby, with the fee estate in any lands by reason of the fact that any person may hold directly or indirectly, the leasehold estate by or for the amount of any person who shall hold the fee simple in such lands, unless the Instructing Group shall, at its option, execute and record a document evidencing its intent to merge the estates. If the Agent shall acquire the fee title or any other estate, title or interest in any of the Leasehold Property, the Charges shall attach to an be Charges upon and spread to the fee title or other estate so acquired which fee title or other estate shall, without further assignment, mortgage or conveyance, become and be subject to the Charges of this Debenture. The Agent shall forthwith notify the Agent of any such acquisition and shall cause to be executed and recorded such other and further assurances and instruments in writing as may be necessary or advisable in the opinion of the Agent, the Banks' or Agent's Counsel to carry out the intent and meaning of the foregoing.

2.06.4 No surrender, except upon the expiration of the term of the Mortgaged Leases or upon the termination by the landlord thereunder pursuant to the provisions thereof, or upon the acquisition of fee title as aforesaid by the Agent as lessee of any of the Leasehold Property or termination of the Mortgaged Leases by the Agent as lessee thereunder, shall be valid or effective, and neither the Mortgaged Leases nor the terms thereof, may be amended, modified, changed, surrendered or cancelled or subordinated to any fee mortgage, to any lease or to any other interest, without the prior written consent of the Instructing Group.

2.06.5 Agent shall, promptly after the execution and delivery of this Debenture or any instrument or supplement hereto, notify the landlords of the Leasehold Property in writing of the execution and delivery of this Deed of Mortgage and Security Agreement and use its best efforts and in good faith endeavour to obtain consents of the landlords to this Debenture, in form and substance acceptable to the Agent and Agent's Counsel.

2.07 <u>Security Interest</u>

This Debenture shall be self-operative and constitute (a) a Security Agreement under the Personal Property Security Act (Saskatchewan), with respect to such portions of the Mortgaged

Property which may be subject to the provisions of the Personal Property Security Act as enacted in the Province of Saskatchewan and (b) a security agreement within the meaning of any other personal property security legislation of any other jurisdictions (including without limitation, the Personal Property Security Act (Manitoba), the Personal Property Security Act (Ontario) and the Uniform Commercial Code in the United States of America) with respect to such portions of the Mortgaged Property which may be subject to the provisions of such legislation; and the Agent and the Banks shall have the rights of a "secured party" thereunder. The Corporation agrees to execute and deliver on demand and hereby irrevocably constitutes and appoints the Agent (on behalf of the Banks) the attorney-in-fact of the Corporation, to execute, deliver and, if appropriate, to file with the appropriate filing officer or office such security agreements, financing statements or other instruments as the Agent, the Banks or Agent's Counsel may request or require in order to impose or perfect change hereof more specifically thereon. The Corporation, the Banks and the Agent agree that they intend the security interests hereby created and granted to attach upon the execution of this Debenture. The Corporation hereby acknowledges that value has been given by the Banks and the Agent for and on behalf of the Banks.

2.08 Subrogation

The Agents and the Banks shall be and shall be entitled to be subrogated to rights of the holders of any mechanic's, builder's or vendor's lien or liens, superior titles, mortgages, deeds of trust, liens, encumbrances, rights, equities and charges of all kinds heretofore or hereafter existing on the Mortgaged Property (including, to the extent permitted by law) notwithstanding their release of record, to the extent that the same are paid or discharged from the proceeds of the loan or loans under the Acquisition Credit Agreement.

2.09 Compliance

The Corporation shall comply at all times and is now in compliance with any and all applicable federal, state, provincial and local laws, rules, orders or regulations governing "hazardous materials", "hazardous wastes" or "oil", as defined in any of such laws, rules, orders or regulations to the extent such laws are applicable to the Corporation.

3.00 REPRESENTATIONS AND WARRANTIES

The Corporation represents and warrants to and in favour of the Agent and the Banks as follows.

3.01 Incorporation

The Corporation and the Guarantors, are duly incorporated and organized, are validly existing and subsisting corporations and are in good standing in all material respects under the laws of their jurisdiction of incorporation and have all necessary power and authority to own their property and assets and to carry on their business as at present carried on by them or as contemplated hereunder to be carried on by them and to hold all necessary licenses, permits and consents as are required so to own their property and assets and so to carry on business in each jurisdiction in which they do so.

3.02 Corporate Power

The Corporation has the power, capacity, full legal right and corporate authority to issue this Debenture, to grant the Charges contained herein to mortgage and convey the Freehold Property, the Leasehold Property and the Mineral Rights and to do all acts and things as are required or contemplated hereunder to be done, observed and performed by it.

3.03 Corporate Authorization

The Corporation has taken all necessary corporate and other action to authorize the creation, execution, delivery and performance of this Debenture to constitute it a binding obligation of the Corporation enforceable in accordance with its terms.

3.04 No Conflict

The execution of this Debenture and the grant of the Charge hereunder does not require the approval of any regulatory agency or other body having jurisdiction over the Corporation and is not in contravention of or in conflict with the articles, by-laws or resolutions of directors or shareholders of the Corporation or of the provisions of any indenture, instrument, agreement or undertaking to which the Corporation is a party or by which all or any part of its property or assets may be bound nor of any statute, regulation, by-law, ordinance or other law, nor of any judgment, decree, ruling or order to which the Corporation or its property and assets may be subject. No such action will oblige the Corporation to grant any security interest to any person or otherwise result in the creation of any encumbrance, lien or charge on any of its property or assets other than to Bank of Montreal in its capacity as Agent for the Banks under the Acquisition Credit Agreement.

3.05 No Default

The Corporation is not in default in the performance or observance of any of the obligations, covenants or conditions contained in any material contract, agreement or other instrument to which it is a party or by which it is bound.

3.06 Title

Subject only to Encumbrances in favour of the Agent and the Banks and the Permitted Encumbrances, the Corporation has good and marketable title to the Mortgaged Property, free and clear of all other Encumbrances whatsoever.

3.07 Enforceability

This Debenture constitutes a valid and legally binding obligation of the Corporation enforceable against the Corporation in accordance with its terms subject only to:

3.07.1 Applicable Bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights generally;

3.07.2 The equitable and statutory powers of the courts of the appropriate jurisdictions to stay the execution of judgments;

3.07.3 The discretion of the courts of the appropriate jurisdictions with respect to the granting of the remedies of specific performance and injunction; and

3.07.4 Limitations or restrictions on the ability of Canadian Courts to render judgments other than in Canadian currency.

3.08 Financial Information

3.08.1 The information, representations and warranties made to Bank of Montreal, the information contained in any document or instrument delivered to Bank of Montreal and such other information, representations and warranties made in connection with the Acquisition Credit Agreement or this Debenture, including without limitation, in any financial statements and information provided to Bank of Montreal in connection with the Canadian Agreement or in connection with the U.S. Potash Business Purchase and Sale Agreement (as amended referred to as the "U.S. Agreement") dated as of August 20, 1987, between PPG Industries, Inc. and S&P. U.S., Inc. (the "Purchase Agreements"), did not, in each case, at the time of delivery (except as supplemented and

corrected prior to the date hereof), contain any untrue statement of a material fact or omit to state a material fact necessary in order to make any statement therein not misleading in light of the circumstances in which it was made. There is no fact which the Corporation has not disclosed in writing to Bank of Montreal which materially adversely affects or, so far as the Corporation can reasonably foresee, will materially adversely affect the business, properties, prospects or financial condition of the Corporation or the ability of the Corporation to perform its obligations to the Agent and the Banks hereunder.

3.08.2 Without limiting the generality of section 3.08.1, the Corporation represents and warrants to the Agent and the Banks that all track leases, product transfer agreements, real transport agreements (existing or proposed), storage handling or storage lease agreements, private siding agreements, terminal services agreements, operating agreements and leases and other agreements relating to warehouse, distribution or on or off-loading facilities, office premises or otherwise relating to the distribution of the Corporation's products, now held, owned or possessed by the Corporation (the "Leases") are substantially at market rates and, to the extent that any Leases are reasonably necessary to the Corporation's operations, each of such Leases is readily replaceable with a lease or agreement of substantially similar tenor and effect, such that the business and operations of the Corporation would not be materially impaired or affected by the loss of any or all of the Leases.

3.09 <u>Litigation</u>

There are no actions, suits or proceedings pending or threatened to any of the Corporation's officers' knowledge, at law or in equity, or before any governmental department, commission or bureau, agency or instrumentality, domestic or foreign, involving the Corporation other than as are described in Schedules 4.7, 4.7A and 4.7B to the Canadian Agreement and to the best of the Corporation's Officers' knowledge, the descriptions therein are accurate in all material respects. None of such actions, suits or proceedings involve the possibility of any judgment or liability not fully covered by insurance or which may, in their opinion and in the event of adverse judgment, decision or ruling, result in any material adverse change in the Corporation, the Guarantors, any of their Affiliates or any other guarantor of the obligations of the Corporation under the Acquisition Credit Agreement, except as disclosed in all material respects in the Purchase Agreements or otherwise disclosed in writing to Bank of Montreal.

3.10 Default under Material Agreements

No event has occurred which constitutes or which, with the giving of notice, the lapse of time or both, would constitute a default under or in respect of any material agreement, licence, undertaking or instrument to which either the Corporation, the Guarantors or any of their Affiliates is a party or to which any of their respective properties or assets may be subject.

3.11 Compliance with Corporate Restrictions, etc.

None of the Corporation, the Guarantors or any of their Affiliates are in violation in any material respect of any term, provision of restriction of their respective incorporating instruments or by-laws or of any material mortgage, franchise, permit, approval, licence, judgment, decree, order, statute, rule or regulation.

3.12 Payment of Taxes

Each of the Corporation, the Guarantors and their Affiliates have filed all tax returns and other filings, which were required to be filed, have paid all Taxes, including interest and penalties which are due and payable and have provided adequate reserves for the payment of any Tax, the payment of which is being contested.

3.13 Subsidiary

The Corporation is a wholly-owned Subsidiary of the S&P U.S. S&P U.S. is a wholly-owned Subsidiary of KCL. KCL carries on no business other than the holding of shares in S&P U.S. and its sole property and assets are the shares it owns in S&P U.S. and its sole debts and liabilities are those arising in respect of the Acquisition Credit Agreement, the Revolving Facility Agreement and the Subordinated Debt.

3.14 Acquisition

The Corporation validity acquired all right, title and interest of S&P U.S. (formerly known as "S & P Canada Inc.") in and to the Canadian Agreement by way of an assignment between the Corporation and S & P Canada Inc. The Purchase Agreements constitute valid, binding and direct obligations of the Corporation and S&P U.S., respectively, enforceable in accordance with their respective terms, subject to the qualifications expressed in sections 3.07.1, 3.07.2, 3.07.3 and 3.07.4.

3.15 Fair Market Value

The fair market value of the business, assets, properties and right relating to the Kalium Chemicals division of PPG Canada Inc. and PPG Industries, Inc., respectively, acquired by the Corporation pursuant to the Canadian Agreement, exceeds U.S. $100,000,000.

3.16 Location Head Office

The location of the main or head office or chief executive office of the Corporation is 1200 Canada Trust Tower, 1801 Hamilton Street, Regina, Saskatchewan (the "Regina Office"). The registered office of the Corporation is as first-above specified. Substantially all material operating records of the Corporation, including without limitation, customer lists, price lists, sales information and supplier price lists, and other material books and records of the Corporation, are located at the Regina Office. The Corporation covenants and agrees not to move or relocate the Regina Office or the location of such operating records and material books and records or to change its name without having given twenty (20) days prior written notice to the Agent.

3.17 Event of Default

There exists no Event of Default under the Acquisition Credit Agreement and no condition, event or act which, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

3.18 Survival

All representations and warranties of the Corporation made herein or in any certificate or other document delivered by or on behalf of the Corporation to Bank of Montreal are material, shall be deemed to have been relied upon by Bank of Montreal notwithstanding any investigation heretofore or hereafter made by or on behalf of Bank of Montreal, shall survive the execution and delivery of this Debenture and shall continue in full force and effect without time limit except as is required by applicable and binding law.

4.00 COVENANTS OF THE CORPORATION

The Corporation covenants and agrees with the Agent and the Banks as follows.

4.01 Repair

4.01.1 The Corporation shall diligently repair, maintain, use and operate the Mortgaged Property and shall carry on and conduct its business in a proper and efficient manner so as to preserve and protect the Mortgaged Property, including the Rents and Profits and the Proceeds.

4.01.2 The Corporation will not commit, or permit any lessee of the Mortgaged Property to commit, any waste on the Freehold Property or the Leasehold Property or in respect of the Mineral Interests, or make, or permit any such lessee to make, any change in the use of the Mortgaged Property or operation of the Mortgaged Property, which will materially increase any ordinary fire or other hazard insurance premiums, nor will the Corporation make, or permit any such lessee to make, any application to any federal, state, provincial or local governmental authority ("Governmental Authority") for a change in zoning or a change in any other law, ordinance, statue, rule, order, decree, directive or regulation affecting the Mortgaged Property nor will the Corporation consent to any such change without the written consent of the Instructing Group.

4.02 Books of Account

4.02.1 The Corporation shall keep proper books of account in accordance with sound accounting practice and the Corporation shall furnish to the Agent such financial information and statements relating to its business and the Mortgaged Property as the Agent or the Banks may from time to time require and the Corporation shall permit the Agent or its authorized agents at any reasonable time upon such reasonable notice and at the expense of the Corporation to have access to all premises occupied by the Corporation or any place where the Mortgaged Property may be found in order to inspect the Mortgaged Property, to discuss the Corporation's affairs, finances and services with officers, agents or principals of the Corporation, to examine the books of account and other financial records and reports of the Corporation, including without limitation, the books of account and other financial records and reports relating to the Mortgaged Property, and to have temporary custody thereof and to make copies thereof and take extracts therefrom.

4.02.3 The Corporation shall and shall cause S&P U.S. to maintain records of all aspects of mine planning and production scheduling, including production estimates and the identification of mining zones from which production is to be scheduled in accordance with sound mining practice and in each fiscal quarter shall meet with the Banks' representatives to submit such mining plan and to review with him or her the mining and processing

plans for the following year and for the next five year period (including such following year); such reviews are to include all aspects of mine and processing operations (including the solution mining technology and related information and production estimates) in sufficient detail to demonstrate that the plans are consistent with sound mining and business practice and access to review and examine such records for the purpose of such annual review shall be granted to the Banks' and the Agent on reasonable notice.

4.02.4 The Corporation shall, and shall cause S&P U.S. to, maintain at all times an updated mining plan for the anticipated operating life of the business, assets properties and rights relating to the Kalium Chemicals division of PPG Canada Inc. and PPG Industries, Inc. respectively, acquired or to be acquired by the Canadian Borrower and the Debtor respectively pursuant to and as more particularly described in the Canadian Agreement and U.S. Agreement, and shall review the mining plan annually with the Banks' representative(s) and the Agent.

4.03 <u>Make Payments</u>

The Corporation shall duly and punctually pay or cause to be paid all Taxes and other rates, levies, assessments and government fees or dues, and interest thereon and any costs for the late payment lawfully levied (including, except with respect to federal and state or provincial Taxes, Taxes and other government charges or impositions imposed on the Agent or the Banks by reason of their interests in or the execution, ownership or registration of this Debenture, any document or instrument required to be delivered or otherwise provided for herein or the Acquisition Credit Agreement or any supplement thereto, including the charges, filing, registration and recording fees, and excises and levies relating to the same), assessed or imposed on the Corporation in respect of the Mortgaged Property or any part thereof or incomes or profits thereof or upon either of the Guarantors or any of their Affiliates, in respect of any of their properties and assets or incomes or profits therefrom, as and when the same shall become due and payable and before any penalty, interest or cost for nonpayment, save and except when such Taxes or other rates, levies, assessments, governmental fees or dues are being contested in good faith and adequate reserves therefor have been established by such of them as is affected thereby. The Corporation shall exhibit to the Agent, when required, the receipts and vouchers evidencing such payments.

4.04 Encumbrances

4.04.1 The Corporation shall keep the Mortgaged Property free at all times from any and all Encumbrances of whatsoever nature, kind or priority other than those in favour of the Agent and the Banks, Permitted Encumbrances and Purchase Money Encumbrances created in accordance with the provisions of this section 4.04 and shall defend the title to the Mortgaged Property and the validity and priority of the Charges hereof against the claims of all persons and shall not permit the Mortgaged Property to become an accession to any property not subject to the Charges created by this Debenture or to become a fixture unless the Charges rank prior to the interests of all persons in the realty. The Corporation shall promptly and completely observe and perform and discharge each and every obligation, covenant and agreement affecting the Mortgaged Property whether the same is prior and superior as subject and subordinate hereto. The Corporation shall not modify, amend or supplement any Permitted Encumbrance or impose any restrictive covenants or Encumbrances or permit, consent to, initiate or support any zoning variance or reclassification, subdivision, annexation, implied dedication or easement or adverse possession or usage in relation to the Mortgaged Property. The Corporation shall not create a Purchase Money Encumbrance in respect of current assets or assets the purchase price balance of which is greater than U.S. $500,000 (or the equivalent amount in Canadian dollars) unless it has given to the Agent prior written notice of its intention to do so, which notice shall describe the property which is to be subject to the Purchase Money Encumbrance. The Agent and the Banks may at any time contest the validity and enforceability against it of any Encumbrance including, without limitation, any Purchase Money Encumbrance.

4.04.2 Without limiting the generality of the foregoing section 4.04.1, the Corporation shall pay, bond or otherwise discharge, from time to time when the same shall become due, all lawful claims and demands of mechanics, materialmen, labourers and others which, if unpaid, would result in, or permit the creation of, an Encumbrance on the Mortgaged Property, or on the Rents and Profits, except for the Permitted Encumbrances and Encumbrances in favour of the Agent and the Banks, and the Corporation shall, as a general matter, do or cause to be done at its sole cost and expense, everything necessary to full preserve the validity, enforceability, and priority of the charge of this Debenture; and the Corporation shall not, through any act or failure to act, acquiescence in the placing of, or allow to remain, any Encumbrance whatsoever on the Mortgaged Property except for Permitted Encumbrances and Encumbrances in favour of the Agent and the Banks.

4.04.3 Nothing herein or in the Acquisition Credit Agreement contained shall be constructed as constituting the consent or request, express or implied, to my contractor, labourer, mechanic or materialman for the performance of any labour or furnishing of any material for any improvement, construction, alteration or repair of any of the Mortgaged Property. The Agent and the Banks and the Corporation shall not, in any event, be deemed to stand in any fiduciary relationship for such purposes.

4.05 Insurance

The Corporation shall or shall cause to be maintained, with reputable insurers acceptable to the Agent, the Banks and Agent's Counsel, insurance with respect to all of the property and assets of the Corporation, its Subsidiaries and the Guarantors, which is of a character usually insured by businesses owning or operating property and assets of a similar nature, against such casualties and contingencies (including public liability) and in such types and in such amounts and with such deductibles and other provisions as are customarily maintained or caused to be maintained by persons engaged in the same or similar businesses in the same territories under similar conditions. Loss under such insurance in respect of the Corporation shall be payable to the Agent (on behalf of the Banks) as its interest may appear and such insurance shall contain a mortgage clause acceptable to the Agent, the Instructing Group and Agent's Counsel. All such insurance shall provide that the same may not be cancelled or modified without at least thirty (30) days' prior written notice to the Agent. The Corporation shall, at the Agent's, the Instructing Group's or Agent's Counsel's request, provide satisfactory evidence that any such insurance has been effected and that loss thereunder, in the case of the Corporation, is payable to the Agent (on behalf of the Banks) as its interest may appear and any other information relating to such insurance as the Agent or the Instructing Group may require. If the Corporation fails to maintain satisfactory insurance, the Agent may, at its option, obtain such insurance at the expense of the Corporation and the Corporation shall forthwith repay all costs and expenses incurred by the Agent or the Banks in connection therewith and all such costs and expenses shall become part of the Obligations, shall bear interest at the highest rate provided for in the Acquisition Credit Agreement and shall be secured by this Debenture. However, in lieu of or supplementing any such insurance, in whole or in part, the Corporation may adopt or cause to be adopted some other method or plan of protection at least equal in protection, in the instructing Group's discretion, to the method or plan of protection against loss or damage adopted by such other persons;

4.06 Compliance with Governmental Requirements

The Corporation shall duly observe and comply with all present and future laws, orders, ordinances, rules, regulations and requirements of any governmental or quasi-governmental authority or agency or of any regulatory, licencing, accrediting, insurance underwriting, rating or similar bodies applicable to the Mortgaged Property or its use and operation and shall observe and comply with all covenants, terms and conditions upon or under which the Mortgaged Property is held, including without limitation, under any of the Permitted Encumbrances. Without limiting the generality of the foregoing, the Corporation shall diligently pursue and obtain (or shall have obtained) all consents, approvals, permits or other acknowledgements in connection with the foregoing necessary or prudent in connection with the granting of security, including this Debenture, to the Agent and the Banks.

4.07 Further Assurances and After-Acquired Property

4.07.1 The Corporation shall at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all and singular every such further acts, deeds, transfers, mortgages, pledges, charges, assignments and assurances in order to give effect to the provisions, intention and performance of the terms hereof, to ensure that the Mortgaged Property is and will continue to be subject to the priority, validity and effectiveness of the Charges as provided for herein, for better assuring, conveying, assigning, transferring and confirming unto the Agent and the Banks all property, assets, rights and interests now or hereafter to be subject to the Charges, or which the Corporation may now or hereafter be bound to assign or convey to the Agent and the Banks, for filing, registering or recording or refiling, re-registering or rerecording this Debenture or any financing or continuation statements or any additions or supplements thereto in such manner and at all proper offices where, in the opinion of the Agent's Counsel, such filing or recording may be necessary or of advantage to secure, perfect or give notice of Charges, including without limitation, Bank Act filings or registrations, Personal Property Security Act (in each jurisdiction in which the Mortgaged Property may be located) registrations and patent assignment filings or registrations (including without limitation, to correct any defect, error or omission in the acknowledgement, recording or filing of this Debenture or any financing statements) or for obtaining any consent, permit or acknowledgement reasonably considered necessary or prudent by the Agent, the Instructing Group or Agent's Counsel, and shall execute all such conveyances, all appropriate land records filings, assignments, pledges, transfers and further assurances

as may be reasonably required in connection therewith. The Corporation hereby constitutes and appoints the manager or acting manager of Bank of Montreal at its main branch in the City of Toronto, or any Receiver, the true and lawful attorney of the Corporation irrevocably with full power of substitution to do, make and execute all such assignments, documents, acts, matters or things with the right to use the name of the Corporation whenever and wherever it may be reasonably considered by the Agent or the Instructing Group to be necessary or expedient in connection with the foregoing.

4.07.2 All rights, title and interest of the Corporation in and to all extensions, improvements, betterments, renewals, substitutes and replacements of, and all additions and appurtenances to, the Mortgaged Property, hereafter acquired by, or released to the Corporation or constructed, assembled or placed by the Corporation on the Freehold Property, the Leasehold Property or the Mineral Interests, and all conversions of the security constituted thereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further deed of trust, conveyance, assignment or other act by the Corporation, shall become subject to the Charges of this Debenture as fully and completely, and with the same effect, as though now owned by the Corporation and specifically described in the granting clause hereof, but at any and all times the Corporation will execute and deliver to the Agent and the Banks any and all such further assurances, deeds of trust, conveyances or assignments thereof as the Agent, the Instructing Group or Agent's Counsel may reasonably require for the purpose of expressly and specifically subjecting the same to the Charges of this Debenture.

4.08 <u>Permitted Disposals</u>

The Corporation shall not, without the Instructing Groups' prior written consent, which shall not be unreasonably withheld, sell, transfer or otherwise dispose of its control, directly or indirectly, of any of its Subsidiaries, permit any change in its capital structure or transfers of its outstanding share capital which affects, directly or indirectly, control over the Corporation, remove, destroy, demolish, structurally or materially alter, lease, sell, convey or otherwise dispose of any of the Mortgaged Property (including without limitation, receivables and leasehold interests) except as otherwise permitted in this Debenture or permit any of its Subsidiaries to remove, destroy, lease, sell, convey or otherwise dispose of any of their properties other than as herein provided with respect to the Corporation; provided, however, that notwithstanding section 2.3 hereof, the Corporation (as long as a Default has not occurred and is continuing unremedied hereunder) may sell or

otherwise dispose of:

4.08.1 Inventory, in the ordinary course of its business;

4.08.2 Property or assets no longer used or useful in its business and which no longer have any material value to the Corporation; and

4.08.3 Property or assets which have become worn out or damaged or otherwise unsuitable for their purposes on condition that there shall be substituted therefor contemporaneously with the disposition thereof, subject to the Charges created hereby and free from other Encumbrances, property of substantially the same nature and of a least equal value so that the security hereby constituted shall not thereby be in any way reduced or impaired.

4.09 No Change in Business

Subject to the provisions of section 4.08 and the provisions hereof, the Corporation shall not, without the prior written consent of the Instructing Group, which consent shall be conditional on the receipt by the Agent and the Agent's Counsel of all security and deeds of confirmation as Agent's Counsel may consider advisable to protect the Agent's and the Banks' interests, directly or indirectly:

4.09.1 Change the nature of its business;

4.09.2 Change its fiscal year;

4.09.3 Carry on business through any person, corporation, partnership or other entity (including, without limitation, any Subsidiary);

4.09.4 Acquire, or enter into any arrangement or agreement relating to such an acquisition, any shares or assets of or interest in any person, corporation, partnership or other entity or otherwise incur any material capital expenditures (including without limitation, entering into leases) or incur liabilities, which exceed in the aggregate in each period of two (2) consecutive Fiscal Years U.S. $4,000,000 plus, if permitted under the Acquisition Credit Agreement, the Cluster Mine Costs;

4.09.5 Guarantee, endorse or otherwise become surety or liable for or upon the obligations of others, except to the Bank or by endorsement of negotiable instruments for deposit or collection in the ordinary course of its business;

4.09.6 Provide financial assistance (including, without limitation, by way of loans to, investments in and assumptions of obligations) to any person, corporation, partnership or other entity other than (i) advances to S&P U.S. on commercially reasonable terms and (ii) advances to employees for mortgages in an aggregate amount not exceeding U.S. $500,000;

4.09.7 Amalgamate, reconstruct, consolidate or otherwise merge with any person or entity;

4.09.8 Enter into an arrangement or agreement for the sale of any substantial portion of the Mortgaged Property other than in the ordinary course of business;

4.09.9 Permit all or a substantial portion of the Mortgaged Property to become the property of any other person or entity, whether in one or a series of transactions;

4.09.10 Otherwise cease to carry on business as a going concern;

4.09.11 Do or omit to do any other act or thing (including without limitation, enter into or amend any contracts, agreements or established agreements) that could materially adversely affect its business, financial condition, assets or position or its ability to carry on the business as now conducted by it or which makes void, voidable or cancellable any insurance with respect thereto;

4.09.12 Allow, permit or authorize any such change in business, acquisition, extension of financial assistance,merger, business, reconstruction, consolidation, carrying on of business, arrangement or cessation of business, of any of its Subsidiaries; or

4.09.13 Make or permit to be made any payments in any Fiscal Year to any holder of Subordinated Debt, except as provided for in the Acquisition Credit Agreement.

Provided, however, that the following shall be permitted:

4.09.14 Each of the Corporation and S&P U.S. may merge, consolidate or amalgamate with, and may liquidate, wind-up or dissolve itself into each other or any one or more of its Subsidiaries, and any of its Subsidiaries may merge, consolidate or amalgamate with, and may liquidate, wind up or dissolve into, the Corporation, S&P U.S. and/or one or more of its Subsidiaries; and

4.09.15 Each of the Corporation and S&P U.S. and/or any of its Subsidiaries may merge, consolidate or amalgamate with, liquidate, wind up or dissolve itself into, or acquire all or any substantial part of the business properties or assets of any other person or entity,

provided (in the case of both sections 4.09.14 and 4.09.15) that:

(a) no Default exists after giving effect to such merger, consolidation, amalgamation, liquidation, wind up, dissolution or acquisition; and

(b) where one or more of the predecessor entities is the Corporation or S&P U.S., the surviving entity (i) continues to be bound as such under this Debenture and (ii) executes and delivers to the Agent within ten (10) days of such merger, consolidation, amalgamation, liquidation, wind-up, dissolution or acquisition, a written confirmation or acknowledgement to such effect, in form and substance acceptable to the Agent and Agent's Counsel, together with evidence of all necessary corporate action, a favourable legal opinion (confirming, inter alia, that all property and assets of all predecessor entities are subject to the security of this Debenture and that all after acquired property of the surviving entity or entities continues to or becomes subject to the security of this Debenture), to the satisfaction of the Agent, the Instructing Group and the Agent's Counsel.

4.10 <u>No Distributions</u>

The Corporation shall not, without the prior written consent of the Instructing Group, pay, declare or set aside for payment any dividends or other distributions on account of shares of any class of stock of the Corporation, nor make any other distribution in cash or in specie on account of shares or capital, whether by reduction, redemption or cancellation of capital or otherwise except that the Corporation may, in any Fiscal Year, declare and pay dividends to its preferred shareholders when permitted under the Acquisition Credit Agreement.

4.11 <u>Information</u>

The Corporation shall furnish to the Agent and the Banks such information with respect to the Mortgaged Property and the Corporation and its Subsidiaries and their businesses as the Agents or the Banks may from time to time reasonably require and shall give written notice to the Agent of all proceedings before

any court, administrative board or other tribunal, which could materially affect the Corporation or the Guarantors or any of their Affiliates or their property and assets. In addition, the Corporation shall deliver or furnish all reports, financial statements, budgets, mining plans and certificates as required to be delivered under and pursuant to the Acquisition Credit Agreement.

4.12 Other Covenants

Without limiting the generality of the foregoing, the Corporation shall:

4.12.1 Pay duly and punctually all sums of money due by it hereunder or under the Acquisition Credit Agreement at the times and places in the manner provided for therein or herein;

4.12.2 Maintain its corporate existence, its rights and privileges and its right to transact business, and those of its Subsidiaries, in good standing except as permitted under section 4.09;

4.12.3 Carry on diligently and conduct its business in a proper and efficient manner so as to preserve and protect its properties, assets and income (including without limitation, the operation of the Belle-Plaine, Saskatchewan mine and refinery) in a prudent manner consistent with optimal industry practice, and it will cause its Subsidiaries to do the same in respect of their respective businesses;

4.12.4 Do, observe and perform all material matters and things necessary or expedient to be done, observed or performed under any law of Canada, the United States, any province or state or municipality thereof or of any other jurisdiction for the purpose of carrying on and conducting its business and owning and possessing its properties and assets and, without limitation, it will maintain at all times in full force and effect all certificates, permits, licenses, registrations and other approvals (including without limitation, all zoning ordinance, building code, land use, environmental and other similar permits and approvals) required to operate its mine and refinery and to distribute and market the potash product and associated by-products and to grant or provide security, including this Debenture, to the Agent and the Banks; and it will cause its Subsidiaries to do the same in respect of their respective businesses, properties and assets and the Corporation shall, promptly upon the request of the Agent or the Instructing Group, deliver to the Agent copies of the same;

4.12.5 Give to the Agent prompt notice of any Default hereunder or any event which, with the giving of notice and/or the lapse of time, would constitute a Default;

4.12.6 Not, without obtaining the prior written consent of the Instructing Group, enter into or amend any contracts, agreements or established arrangements in a way which may materially and adversely affects:

(a) the interests and rights of the Agent or the Banks under this Debenture; or

(b) the value of this Debenture.

4.12.7 Punctually and duly perform, satisfy and observe all of its obligations contained herein, in the Acquisition Credit Agreement or in any other document or instrument delivered to the Agent or the Banks in connection therewith or herewith.

4.13 Protective Disbursements - Legal Fees

4.13.1 If the Corporation fails to pay any amounts required to be paid by it under this Debenture or to observe or perform any of the covenants and obligations set forth in this Debenture to be observed or performed by it, the Agent and the Banks may, but shall be under no obligation to, pay such amounts or observe or perform any of such covenants and obligations in any manner deemed proper by the Agent and the Banks, without waiving any of their rights under this Debenture. No such payment or performance by the Agent or the Banks shall relieve the Corporation from any Default under this Debenture or any consequences of such Default. The reasonable expenses including the costs of any insurance and payment of Taxes or other charges and legal fees and expenses on a solicitor and his own client scale, paid by the Agent or the Banks in respect of the custody, preservation, use or operation of the Mortgaged Property, shall be deemed advanced to the Corporation by the Agent and the Banks, shall become part of the Obligations, shall bear interest at the highest rate payable under the Acquisition Credit Agreement in respect of Prime Loans (as that term is defined in the Acquisition Credit Agreement) and shall be secured by this Debenture. In addition, the Corporation shall pay all reasonable expenses, including legal fees and expenses on a solicitor and his own client scale, incurred by the Agent and the Banks in connection with the preparation, execution, filing, protection and enforcement of and advice with respect to this Debenture, the realization, disposing of, retaining, protecting or collecting the Mortgaged Property or any part thereof, the protection and enforcement of the rights of the Agent and the Banks hereunder and the performance of any of the duties of the Agent or the

Banks herein or in the Acquisition Credit Agreement contained (including, without limitation, appraisal fees recording and filing fees, Taxes, brokerage fees and commissions, abstract fees, title search fees, title insurance premiums and fees, Personal Property Security Act search fees, escrow fees and other costs and expenses incurred by the Agent or the Banks for the transactions contemplated hereunder or chargeable to the Bank or the Banks in connection with the Mortgaged Property), and such costs and expenses shall become part of the Obligations, shall bear interest at the highest rate payable under the Acquisition Credit Agreement in respect of Prime Loans (as that term is defined in the Acquisition Credit Agreement)and shall be secured by this Debenture.

4.13.2 The Corporation agrees to indemnify and save harmless the Agent and the Banks from and against any and all losses, liabilities, suits, obligations, fines, damages, judgments, penalties, claims, charges, cost and expenses (including legal fees on a solicitor and his own client basis) which may be imposed on or incurred or paid by or asserted against the Agent or the Banks by reason of, on account of or in connection with any of the matters specified in section 4.13.1, any negligence or misconduct of the Corporation, any lessee or any other person in connection with the Mortgaged Property (or their agents, employees, servants, contractors, subcontractors, licencees or invitees), any injury, accident, death or damage to any person or property occurring in, on or in respect of the Mortgaged Property or any transactions arising out of, or in any way connected with the Mortgaged Property, the Acquisition Credit Agreement or this Debenture.

4.14 <u>Registration</u>

4.14.1 The Corporation shall forthwith register, file and record this Debenture or notice thereof, and any security instrument creating a Charge or evidencing the Charges hereof upon the Personal Property in such manner and at all proper offices where, in the opinion of the Agent's Counsel, such registration, filing or recording may be necessary or of advantage to secure, perfect, protect or publish notice of the Charges, including without limitation, all appropriate land records, Bank Act filings or registrations, Personal Property Security Act registrations and patent assignment filings or registrations, and will hereafter maintain all such registrations in full force and effect for the purpose of maintaining and protecting the Charges.

4.14.2 The Corporation covenants and represents and warrants (acknowledging that the Agent and the Banks are relying on such representation and warranty) that no authorization, approval or

other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the grant by the Corporation of the Charges (including the security interest) granted hereby or for the execution, delivery or performance of this Debenture by the Corporation or (ii) for the perfection of any of the rights and remedies of the Agent or the Banks hereunder.

4.15 Notify the Bank

The Corporation, upon obtaining knowledge of the institution of any proceedings for the condemnation of the Mortgaged Property or any material (determined in the Bank's reasonable discretion) portion thereof or knowledge of any casualty damage to the Mortgaged Property or any material (determined in the Bank's discretion) portion thereof or damage of any other kind, will immediately notify the Agent and the Banks. The Agent and the Banks may participate in any proceedings and join the Corporation in adjusting any loss covered by insurance relating to the same and no voluntary disposition of claims on account of condemnation of the Mortgaged Property or adjustment of any loss covered by insurance relating to such condemnation or material damage or loss shall be made without the prior written consent of the Instructing Group. All compensation, awards, proceeds, damages, claims, rights of action and payments to which the Corporation may become entitled relating to the foregoing shall be paid over to the Agent (on behalf of the Banks). The Agent and the Banks shall have the sole and absolute discretion, notwithstanding the fact that the security given hereby may not be impaired by casualty, damage or a partial condemnation, to apply any part or all of the amount collected in connection with any casualty or condemnation proceeding:

4.15.1 Upon any Obligations secured hereby and in such order as the Agent and the Banks may determine; or

4.15.2 Without reducing the indebtedness secured hereby, to the reimbursement of the Agent and the Banks for expenses incurred by it in the restoration of the Mortgaged Property.

Such application shall not cure or waive any breach of covenant or condition or notice of breach of covenant or condition hereunder or invalidate any act done pursuant to any such notice. The Agent and the Banks shall be under no obligation to question the amount of any compensation, awards, proceeds, damages, claims, rights of action or payments, and may accept the same in the amount in which the same shall be paid.

5.00 DEFAULT

5.01 Defaults

The Obligations secured hereby shall become immediately due and payable and the Charges shall become enforceable in each and every of the following events (herein called a "Default"):

5.01.1 If an Event of Default has occurred or an event has occurred which, with notice or lapse of time or both would constitute an Event of Default; or

5.01.2 If the Corporation commits a breach of or fails to observe and perform promptly and completely any of the covenants, terms, obligations or conditions contained in this Debenture or if any representation of the Corporation, any of its Subsidiaries or the Guarantors made to Bank of Montreal or otherwise contained herein, shall be established by the Instructing Group to have been incorrect in any material (determined in the Banks' reasonable discretion) respect; or

5.01.3 If the Corporation shall fail to make any payment of any of the Obligations when due.

5.02 Nature of Obligations

The Corporation agrees that, notwithstanding the provision of Defaults in section 5.01 and whether or not the Corporation has complied with the provisions of this Debenture or any other agreement or instrument between it and the Agent or the Banks, the Corporation shall pay the principal, interest and all other amounts due or accruing due in respect to the Acquisition Credit Agreement at the time and place and in the manner specified therein, according to the terms thereof. The occurrence of a Default under section 5.01 shall cause the Charges to become enforceable and, for greater certainty, shall cause the Charges to be crystallized and fixed, without the need for any action or notice on the part of the Agent or the Banks.

5.03 Waiver

In addition to its rights under section 7.02, the Instructing Group may waive in writing any breach by the Corporation of any of the terms or provisions of this Debenture or any Default under section 5.01 hereof, provided always that no waiver shall be deemed to extend to a subsequent breach or Default, whether or not the same as or similar to the breach or Default waived and no act or omission by the Agent, the Banks or the Instructing Group shall extend to or be taken in any manner whatsoever to affect any subsequent breach or Default or the

rights of the Agent, the Banks or the Instructing Group arising therefrom. Any waiver or any such breach or Default must be in writing to be effective against and to bind the Agent, the Banks or the Instructing Group.

6.00 REMEDIES ON DEFAULT

If the security hereby constituted becomes enforceable, the Agent, which for greater certainty and for the purposes of this article means the Agent for and on behalf of and with all necessary authority of (which shall for all purposes be a matter as between the Agent and the Banks only, without the Corporation or any other person having any right to require any proof whatsoever of such authority) the Banks shall have, in addition to any other rights, remedies and powers which it may have at law or in equity, including without limitation, under the Acquisition Credit Agreement, the following rights, remedies and powers.

6.01 Declare Amounts Due and Institute Proceedings

6.01.1 The Agent may, subject to any right of reinstatement pursuant to applicable and binding law, declare the entire amount under the Acquisition Credit Agreement, the Loan Agreements, and any instruments delivered pursuant thereto to be due and payable immediately, and notwithstanding the stated maturity in any such instrument or any other term or provision of the Acquisition Credit Agreement or this Debenture to the contrary, the entire amount so due shall become and be immediately due and payable, without presentment, further demand, protest or further notice of any kind.

6.01.2 The Agent may institute a proceeding or proceedings, judicial or otherwise, for the complete or partial (subject to the Charges hereof continuing unimpaired without loss of priority with respect to the portion of the Obligations not then due and payable) foreclosure upon and against the Charges created by this Debenture under any applicable provision of law, to recover judgment on (any of) the Obligations or for specific performance hereof or of the Acquisition Credit Agreement, and, to the extent permitted by applicable law, the Agent shall have the statutory power of sale under the judgment or decree of any court of competent jurisdiction or otherwise, of any or all of the Mortgaged Property (and all the powers granted by applicable law), in addition to all other rights and remedies hereunder.

6.02 Power of Entry

Whether or not the Corporation exercises the option provided in section 6.01, the Corporation shall forthwith upon

demand assemble and deliver to the Agent possession of all the Mortgaged Property at such reasonable place or places as may be specified by the Agent. The Agent may take such steps as it considers necessary or desirable to obtain possession of and/or render unusable all or any part of the Mortgaged Property and without being responsible for any loss or damage to the Mortgage Property, may hold, keep idle, operate, remove, lease or otherwise use or permit the use of the Mortgaged Property or any part thereof or exercise any other right available under applicable law, for such time and upon such terms as the Agent may, in its absolute discretion, deem in its own or the Banks' best interest. Such rights shall include, without limitation, the right to sue for, demand, collect and retain (with or without taking possession) all hire, earnings, and other sums due and to become due, including the Rents and Profits and the Proceeds (including those past due and payable), from any party whomsoever, accounting only for the net earnings, if any, (unless the Mortgaged Property is retained in satisfaction of the indebtedness, in which no case no accounting will be necessary) arising from such use and applying such net earnings to the Obligations as herein provided. The Corporation agrees that the Agent, its servants or agents or any Receiver may at any time reasonable in the circumstances, during the day or night, enter upon lands and premises where the Mortgaged Property may be found for the purpose of taking possession of and/or removing the Mortgaged Property or any part thereof. In the event of the Agent taking possession of the Mortgaged Property, or any part thereof, the Agent shall have the right to maintain the same upon the premises on which the Mortgaged Property may then be situate. To the extent permitted by law, the Agent may make or enforce, or if the same be subject to modification or cancellation, modify or cancel leases upon such terms and conditions as the Agent determines proper, and the Agent may obtain and evict tenants, fix and modify rents, make repairs and alterations and otherwise exercise any of the rights and powers which the Corporation had in respect of the Mortgaged Property. The entering upon and/or taking possession of the Mortgaged Property or the collection of any of the Rents and Profits or Proceeds shall not cure any Default theretofore or thereafter occurring or affect any notice of default or sale hereunder or invalidate any act done pursuant to any such notice. Any of the foregoing actions may be taken with or without bringing any action or proceeding, through or by any agent or representative, without regard to the adequacy of the security and whether or not any notice of default or election to sell has been given hereunder. The Agent may (provided to do so is reasonable in the circumstances), by purchase, repair or construction, maintain and restore any of the Mortgaged Property, complete construction thereof and insure the same, as it reasonably sees fit (and whether or not prior to any sale of such Mortgaged Property or appointment of a Receiver as herein

provided).

6.03 Power of Sale

The Agent may sell, lease or otherwise dispose of all or any of the Mortgaged Property and all of the Corporation's right, title, interest, claim, demand and estate therein and all rights of redemption thereof (with the unsold portion continuing to be subject to the Charges hereof) either as a whole or in separate parcels, by public auction or private tender or by private contract, with or without notice (except as required by any binding law and in such case, the Corporation agrees that the giving, in the manner herein provided, of five (5) days written notice of any such act shall be deemed to be reasonable notice of any such act or reasonable notification of the time after which any sale, lease or other disposition intended to be made hereunder is to be made, unless a shorter notice is reasonable in the circumstances), and with or without advertising (except as required by applicable and binding law) and without any other formality, all of which (including any right to direct the order in which the Mortgaged Property shall be sold) are hereby waived by the Corporation and such sale, lease or disposition shall (to the extent permitted by law) be on such terms and conditions as to credit and otherwise and as to upset or reserve bid or price as to the Agent in its sole discretion may seem advantageous. Any such sale, lease or other disposition shall be made, for all purposes, as agent of the Corporation. The Agent shall be entitled to dispose of any of the Mortgaged Property which consists of a right or chose in action or property that can be severed from the real property without causing structural damage thereto as if the same were Personal Property, whether or not disposed separate and apart from the real property, all of which in accordance with any remedy provided by law. If any sale, transfer or disposition is made on credit or part cash and part credit, the Agent need only credit against the Obligations, the actual cash received at the time of the sale. Any payments made pursuant to any credit granted at the time of the sale shall be credited against the Obligations as they are received. The Agent or any of the Banks may buy in or rescind or vary any contract for sale of all or any of the Mortgaged Property and may resell without being answerable for any loss occasioned thereby. Any such sale, lease or disposition may take place whether or not the Agent or any of the Banks has taken possession of the Mortgaged Property, and whether or not any public officer acting under extension or order of court has actual or constructive possession of the Mortgaged Property.

6.04 Receiver-Manager

The Agent may, in addition to any other rights it may have upon the happening of any Default, or upon the commencement of any proceeding to foreclose or enforce this Debenture or to enforce specific performance hereof or upon the commencement of any proceedings to enforce any of its rights, and without regard to the adequacy of the security of the Mortgaged Property, appoint by instrument in writing a receiver or receiver and manager (both of which are herein called a "Receiver") of all or any part of the Mortgaged Property or may institute proceedings in any court of competent jurisdiction for the appointment of such a Receiver. Any such Receiver is hereby given and shall have the same powers and rights as the Agent and/or the Banks have under this Debenture, at law or in equity. In exercising any such powers, any such Receiver shall act as and for all purposes shall to the full extent permitted by law be deemed to be the agent of the Corporation and the Agent and the Banks shall not be responsible for any act or default of any such Receiver. The Agent may appoint one or more Receivers hereunder and may remove any such Receiver or Receivers and appoint another or others in his or their stead from time to time. Any Receiver so appointed may be an officer or employee of the Agent or any of the Banks. The Corporation agrees that any Receiver appointed by the Agent need not be appointed by nor is his appointment required to be ratified by nor his actions in any way supervised by, a court. Notwithstanding any such appointment of a Receiver, the Agent and the Banks shall be entitled to retain possession and control of all property now or hereafter held under this Debenture, including without limitation, the Rents and Profits and the Proceeds.

6.05 Carrying on Business

The Agent may carry on or concur in the carrying on of, all or any part of the business or undertaking of the Corporation and may to the exclusion of all others, including the Corporation, enter upon, occupy and use all or any of the premises, buildings, plant and undertaking of or occupied or used by the Corporation and may use all or any of the tools, machinery, equipment and intangible assets of the Corporation for such time as the Agent sees fit, free of charge, to carry on the business of the Corporation and, if applicable, manufacture or complete the manufacture of any inventory and to pack and ship the finished product. The Agent and the Banks shall not be liable to the Corporation for any negligence (except for gross negligence or willful misconduct) in so doing or in respect or any rent, charges, depreciation or damages in connection with such actions.

6.06 Pay Encumbrances

The Agent may pay any Encumbrance that may exist or be threatened against the Mortgaged Property. In addition, the Agents (and the Banks) may borrow money required for the maintenance, preservation or protection of the Mortgaged Property or for the carrying on of the business or undertaking of the Corporation and may create further Encumbrances in the Mortgaged Property in priority to the Charges created hereby as security for the money so borrowed. In every such case the amounts so paid or borrowed together with costs, charges and expenses incurred in connection therewith shall become part of the Obligations, shall bear interest at the highest rate charged under the Acquisition Credit Agreement in respect of Prime Loans (as that term is defined in the Acquisition Credit Agreement) and shall be secured by this Debenture.

6.07 Dealing with Mortgaged Property

The Agent may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with the Mortgaged Property or any part thereof in such manner, upon such terms and conditions and at such time or times as may seem to than advisable and without notice to the Corporation (except as otherwise required by any applicable law and, in such case, the Corporation agrees that the giving, in the manner herein provided, of five (5) days written notice of any such act shall be deemed to be reasonable notice of any such act or reasonable notification of the time after which any sale, lease or other disposition intended to be made hereunder is to be made, unless a shorter notice is reasonable in the circumstances), and may charge on its own behalf and pay to others, sums for costs and expenses incurred (including without limitation, legal fees and expenses on a solicitor and his own client scale and Receivers' and accounting fees) in or in connection with seizing, collecting, realizing, disposing, enforcing or otherwise dealing with the Mortgaged Property and in connection with the protection and enforcement of the rights of the Agent and the Banks hereunder (including, without limitation, in connection with advice with regard to any of the foregoing) and the amount of such sums shall become part of the Obligations, shall bear interest at the highest rate payable under the Acquisition Credit Agreement in respect of Prime Loans (as that term is defined in the Acquisition Credit Agreement) and shall be secured by this Debenture. The Agent and the Banks may file such proofs of claim and other documents as may be necessary or advisable in order to prove their claim in any bankruptcy, proposal, winding-up or other proceeding relating to the Corporation.

6.08 Account Receivable

Until the Agent requests that debtors on accounts receivable of the Corporation be notified of the security interest granted hereby, the Corporation shall continue to collect them. Until the making of such a request, the Corporation shall, if so requested by the Agent, hold the proceeds received from any collection as trustee for the Agent without commingling the same with other funds of the Corporation and shall turn the same over to the Agent, or to such bank as may be approved by the Agent, immediately upon receipt in the identical form received. The Corporation shall cooperate with the Agent in the establishment of such agreements with those banks as the Agent may request for the purpose of better assuring the Agent's right to such proceeds. The Corporation shall, at the request of the Agent, notify the account debtors of the security interest granted hereby in any account and that payment thereof is to be made directly to the Agent and the Agent may itself at any time, without notice to or demand upon the Corporation, so notify account debtors. The making of such a request or the giving of any such notification shall not affect the duties of the Corporation described above with respect to proceeds of collection of accounts receivable received by the Corporation. The Agent may at any time in its discretion transfer any securities or other property constituting Mortgaged Property into its own name or that of its nominee and receive the income thereon and hold the same as security for Obligations or apply it on principal or interest due on Obligations. Insofar as Mortgaged Property shall consist of accounts, contract rights, other claims and rights to the payment of money, insurance policies, instruments, chattel paper, choses in action or the like, the Agent may, without notice to or consent of the Corporation, compromise, adjust, use, sue for, foreclose or realize upon Mortgaged Property as the Agent may determine, whether or not the Obligations or Mortgaged Property are then due, and for the purpose of realizing the Agent's rights therein, the Agent may receive, open and dispose of mail addressed to the Corporation and endorse notes, checks, drafts, money orders, documents of title or other evidences of payment, shipment or storage or any form of Mortgaged Property on behalf of and in the name of the Corporation. The powers conferred on the Agent by this paragraph are solely to protect the interest of the Agent and the Banks and shall not impose any duties on the Agent (or the Banks) to exercise any powers.

6.09 Agent Not Liable

The Agent and the Banks shall not be liable or accountable (except as required by applicable and binding law) for any failure to seize, collect, realize, dispose of, enforce

or otherwise deal with the Mortgaged Property and shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Agent and the Banks, the Corporation or any other person, firm or corporation in respect of the Mortgaged Property. The Agent and the Banks shall not be liable or responsible for any loss or damage whatever which may accrue in consequence of any such failure whether resulting from the negligence (except gross negligence or willful misconduct) of the Agent or the Banks or any of their officers, servants, agents, solicitors, attorneys, Receivers or otherwise. In addition, the Agent and the Banks shall not, nor shall their servants, agents or Receivers be liable by reason of any entry into possession of the Mortgaged Property or any part thereof to account as a mortgagee in possession or for anything except actual receipts or be liable for any loss on realization nor for any act or omission for which a mortgagee in possession might be liable.

6.10 Extensions of Time

In addition to its rights under section 7.02, the Agent, the Banks and the Instructing Group may grant renewals, extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, perfect or fail to perfect any securities, release any part of the Mortgaged Property to third parties and otherwise deal or fail to deal with the Corporation, debtors of the Corporation, guarantors, sureties and others and with the Mortgaged Property and other securities as they may see fit, all without prejudice to the liability of the Corporation to the Agent and the Banks or the Agent's and the Banks' rights and powers under this Debenture.

6.11 Application of Payments Against Obligations

Any and all payments made in respect of the Obligations from time to time and moneys realized on the Mortgaged Property shall be applied to or against the Obligations as follows:

FIRST: To the payment of the costs and expenses of any sale, to the extent allowed by law including reasonable compensation to the Agent or the Banks, their agents and counsel, and of any judicial proceedings wherein the same may be made and to the payment of all expenses, liabilities and advances made or incurred by the Agents or the Banks under this Debenture, and all Taxes, except for any taxes, assessments or other charges subject to which the Mortgaged Property shall have been sold, and further including all costs of publishing, recording, mailing and posting notice, the costs of any search and/or other evidence or certificate of title procured in connection therewith and the

cost of any revenue stamps or similar fees or levies on any deed of conveyance.

SECOND: To the payment of any and all sums under the terms hereof, not then repaid, with accrued interest at the highest rate payable under the Acquisition Credit Agreement and all other sums required to be paid by the Corporation pursuant to any provisions of this Debenture, the Acquisition Credit Agreement or the Loan Agreements, including all expenses, liabilities and advances made or incurred by the Agent or the Banks under this Debenture or in connection with the enforcement hereof, together with interest at the highest rate payable under the Acquisition Credit Agreement.

THIRD: In such order as the Agent or the Banks may determine, to the payment of the principal and interest and other Obligations then due, owing and unpaid under the Acquisition Credit Agreement, with interest on the unpaid principal at the highest rate payable under the Acquisition Credit Agreement from the due date of any such payment of principal until the same is paid.

FOURTH: The remaining, if any, to the person or persons legally entitled thereto.

Any insurance moneys received by the Agent or the Banks pursuant to this Debenture may, at the option of the Agent and the Banks, be applied against the Obligations in accordance with the provisions of this section 6.11.

6.12 Validity of Sale

Subject to and to the extent allowed by applicable and binding law:

6.12.1 No person dealing with the Bank or its servants or agents or with any Receiver, shall be concerned to inquire whether the security hereby constituted has become enforceable or whether the powers which the Agent or the Banks or any Receiver is purporting to exercise have become exercisable or whether any money remains due on the security of the Mortgaged Property or as to the necessity or expedience of the stipulations and conditions subject to which any sale, lease or disposition shall be made or otherwise as to the propriety or regularity of any sale or any other dealing by the Agent or the Banks with the Mortgaged Property or to see to the application of any moneys paid to the Agent, the Banks or any officer making the sale under judicial proceedings and, in the absence of fraud on the part of such persons, such dealings shall be deemed so far as regards the safety and protection of such person to be within the powers

hereby conferred and to be valid and effective accordingly.

6.12.2 Upon any sale, if reasonably required by the Agent or the Banks, the Corporation shall execute and deliver to the purchaser or purchasers such deed or deeds or conveyances of the Mortgage Property so sold, but without any covenant or warranty whatsoever, express or implied (for such purposes, the Corporation hereby irrevocably constitutes and appoints the Agent its true and lawful attorney-in-fact, with full power of substitution, in its name and state to make any necessary conveyances, assignments, transfer and deliveries of the Mortgaged Property or any part thereof and the rights so sold and the Corporation hereby ratifies and confirms all that the said attorney or substitute or substitutes shall lawfully do by virtue hereof and agrees to execute deliver to the Agent or to any purchaser such instruments as may reasonably be requested by the Agent or Agent's Counsel to evidence the same) whereupon such purchaser or purchasers shall be let into or obtain possession of the Mortgaged Property so sold. The recitals of facts, such as default, the giving of notice of default and/or any notice of sale required by law, demand that such sale be made, postponement of sale, terms of sale, sale, purchase, payment of purchase money and any other facts affecting the regularity or validity of such sale or disposition, shall be conclusive (to the extent permitted by law) proof of the truth of such facts; and any deed or conveyance shall be conclusive (to the extent permitted by law) against all persons as to the facts recited therein.

6.12.3 The purchaser on any Agent's, Receiver's, trustee's or agent's sale or a foreclosure sale hereunder may, to the extent permitted by law, disaffirm any easement granted or rental or lease contract made in respect of the Mortgaged Property purchased in violation of any provision of this Debenture and may take immediate possession of the Mortgaged Property free from, and despite the terms of, such grant of easement and rental or lease contract.

6.12.4 Any sale or disposition, whether under the power of sale hereby granted or under or by virtue of any judicial proceedings or judgment or decree of foreclosure and sale, shall operate to divest all the estate right, interest, claim and demand whatsoever, whether at law or in equity, of the Corporation in and to the properties and rights so sold or disposed, and shall be a perpetual bar, both at law and in equity, against the Corporation and any and all persons claiming or who may claim the same, or any part thereof, from, through or under the Corporation.

6.13 Set-Off

The Obligations will be paid by the Corporation without regard to any equities between the Corporation and the Agent or the Banks or any subsequent holder hereof or any right of set-off or cross-claim. Any indebtedness owing by the Agent or the Banks to the Corporation may be set-off and applied by the Agent or the Banks against the Obligations at any time or from time to time either before or after maturity, without demand upon or notice to anyone.

6.14 Effect of Appointment of Receiver

Upon the Corporation receiving notice from the Agent of the taking of possession of the Mortgaged Property or the appointment of any Receiver, all powers, functions, rights and privileges of each of the directors and officers of the Corporation with respect to the Mortgaged Property shall cease unless specifically continued by the written consent of the Instructing Group.

6.15 Deficiency

If the proceeds of realization of the Mortgaged Property are insufficient to repay the Agent and the Banks all moneys or Obligations due to them, the Corporation shall forthwith pay or cause to be paid to the Agent (for and on behalf of the Banks) such deficiency.

6.16 Rights in Addition

The rights and powers conferred by this section 6 are in supplement of and in addition to and not in substitution for any other rights or powers the Agent and the Banks may have from time to time under this Debenture or under applicable law, all of which are hereby granted by the Corporation and all of which shall be cumulative and in addition to every remedy given hereunder or now or hereafter existing at law or in equity or by statute. The Agent and the Banks may proceed by way of any action, suit, remedy or other proceeding or at law or in equity and no such remedy for the enforcement of the rights of the Agent and the Banks shall be exclusive of or independent of any other such remedy but any one or more of such remedies may from time to time be exercised separately or in combination. Every remedy and power may be exercised from time to time as often as may be determined to be expedient by the Agent and the Banks. Any rights or remedies under any other security documents delivered to the Agent or the Banks in connection with the Acquisition Credit Agreement may be exercised concurrently with the exercise of any other rights or remedies hereunder or at law.

6.17 Release of Certain Rights

6.17.1 To the fullest extent permitted by applicable law, the Corporation (for itself, its successors and assigns) will not at any time insist upon, or plead, or in any manner whatever claim or take any benefit or advantage of (all of which are, to the extent possible, waived by the Corporation) any stay, or extension or moratorium law or law pertaining to the marshaling of assets, the administration of estates of decedents, or any exemption from execution or sale of the Mortgaged Property or any part thereof, including exemption of homestead, wherever enacted, now or at any time hereafter in force, which may affect the covenants and terms of performance of this Debenture, nor claim, take or insist upon any benefit or advantage of any law now or hereafter in force providing for the valuation or appraisal of the Mortgaged Property, or any part thereof, prior to any sale or sales thereof which may be made pursuant to any provision herein, or pursuant to the decree, judgment or order of any court of competent jurisdiction; nor after any such sale or sales, claim or exercise any right under any statute heretofore or hereafter enacted to redeem the property so sold or any part thereof; and the Corporation hereby expressly waives all benefit or advantage of any such law or laws, and covenants not to hinder, delay or impede the execution of any power herein granted or delegated to the Agent or the Banks, but to suffer and permit the execution of every power as though no such law or laws had been made or enacted. The Corporation, for itself and all who claim under it, hereby waives, to the extent that it lawfully may, all right to have the Mortgaged Property marshaled upon any sale or foreclosure hereunder.

6.17.2 The Corporation covenants and agrees with the Agent and the Banks that:

(a) The Land Contracts (Actions) Act of the Province of Saskatchewan shall have no application to any action, as in such Act defined, with respect to the Charges (including the mortgages) given by the Corporation by this Debenture; and

(b) The Limitation of Civil Rights Act of the Province of Saskatchewan shall have no application to this Debenture or to any instrument or agreement entered into by the Corporation at any time hereafter, supplemental or ancillary to or in implementation of this Debenture and involving the payment by the Corporation of money or the liability of the Corporation to pay money.

6.18 Successors

In the event ownership of the Mortgaged Property or any portion thereof becomes vested in a person other than the Corporation, the Agent may, without notice to the Corporation, whether or not the Agent or the Instructing Group has given written consent to such change in ownership, deal with such successor or successors in interest with reference to this Debenture and the Obligations secured hereby, and in the same manner as with the Corporation herein named, without in any way vitiating or discharging the Corporation's liability hereunder or for the indebtedness hereby secured.

6.19 Tenancy on Sale

Subject to eviction by means of forcible entry and detainer proceedings or any other right or remedy available under applicable law, in the event that there be an Agent's sale hereunder and if at the time of such sale the Corporation, or its heirs, executors, administrators or assigns, is occupying any of the Freehold Property, the Leased Property or other real property composed in the Mortgage Property or any part thereof so sold, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either tenant or landlord, at a reasonable rental per day based upon the value of such portion occupied, such rental to be due daily to the purchaser. An action of unlawful detainer shall lie if the tenant holds over after a demand in writing for possession of such occupied property. This Debenture and the Agent's deed or conveyance shall constitute a lease and agreement under which any such tenant's possession arose and continued.

7.00 CONCERNING AGENT

7.01 Covenant to Perform

The Agent by its acceptance hereof, covenants faithfully to perform and fulfill the trusts herein created, being liable, however, only for its willful negligence or misconduct.

7.02 Resignation

The Agent may resign at any time upon giving thirty (30) days' notice in writing to the Corporation and to the Banks.

7.03 Successor Agent

In the event of the Agent's death, removal, resignation, refusal to act, or inability to act or, in the discretion of the Banks for any reason whatsoever, the Instructing Group may, at any time or from time to time without notice and without specifying any reason therefor and without applying to any court, select and appoint a successor agent, and all powers, rights, duties and authority of the Agent, as aforesaid, shall thereupon become vested in such successor without conveyance from the predecessor agent. Such substitute agent shall not be required to give bond for the faithful performance of his duties unless required by the Instructing Group. Such substitute agent shall be appointed by written instrument and, if legally possible, such instrument shall be duly recorded in the jurisdictions where the Freehold Property is located, and such appointment in accordance with the terms of the Acquisition Credit Agreement shall be conclusively presumed to have been executed with authority and shall be valid and sufficient without further proof whatsoever. The Corporation hereby ratifies and confirms any and all acts which the hereinnamed Agent, or its successor or successors in this agency, shall do lawfully by virtue hereof. The Agent hereby agrees, on behalf of itself and of its successors and assigns, that the recitals contained in any deed or deeds executed in due form by Agent or any substitute agent, acting under the provisions of this Debenture, shall be prima facie evidence of the facts recited, and that it shall not be necessary to prove in any court, otherwise than by such recitals, the existence of the facts essential to authorize the execution and delivery of such deed or deeds and the passing of title thereby.

7.04 Rights of Agent

Subject to the terms of the Acquisition Credit Agreement, at any time and from time to time, without liability therefor and without notice, Agent may:

7.04.1 Consent in writing to the making of any map or plat of the Mortgaged Property;

7.04.2 Join in granting any easement thereon;

7.04.3 Join in any extension agreement or any agreement subordinating the Charges hereof; or

7.04.4 Upon presentation of this Debenture, and without affecting the personal liability of any person for the payment of the Obligations secured hereby or the effect of this Debenture upon the remainder of the Mortgaged

Property, reconvey any part of the Mortgaged Property.

8.00 GENERAL

8.01 Holder Exclusively Entitled

The holder of this Debenture from time to time will be regarded as exclusively entitled to the benefit of this Debenture and all persons may act accordingly.

8.02 Security in Addition and Consents

The security hereby constituted is not in substitution for any other security for the Obligations or for any other agreement between the parties creating any security in all or part of the Mortgaged Property whether heretofore or hereafter made and such security and such agreements shall be deemed to be continued and not affected hereby unless expressly provided to the contrary in writing and signed by the Corporation and the Instructing Group. The taking of any action or proceedings, the exercise of any power or seizure or sale or foreclosure or foreclosure and sale, the acceptance, alteration or substitution of any security or the taking of any judgment or judgments under any covenants hereunder, or refraining from so doing, or any other dealing with any other security for the Obligations or any part thereof (including without limitation, the release of any person who is or may become bound by the terms of or liable for the performance of any obligation in the Debenture or any other security or the extension of any time for performance) shall not release or affect the Charges created by this Debenture and shall not be construed or operate by way of merger or novation or be construed as a waiver of a Default or acquiescence therein and neither the issue of the Debenture nor the taking of any proceedings hereunder for the realization of the security hereby constituted shall release or affect any other security held by the Agent or the Banks for the repayment of the Obligations. The Agent or the Banks may, at such times, in such manner and on such terms as they determine best and without notice or demand, deal with any person or entity as it sees fit. The Agent, the Banks and the Instructing Group shall have the right to condition any consent or approval, on the payment of such fee or other consideration (including altering the rates of interest, the rates of amortization of principal and maturity dates) as it may see fit.

8.03 Discharge

If the Corporation pays indefeasibly to the Agent (for and on behalf of the Banks) and performs in full the Obligations secured by this Debenture and otherwise observes and performs in full the terms and conditions hereof, then the Agent shall at the request and at the expense of the Corporation cancel and discharge the Charges of this Debenture and execute and deliver to the Corporation such deeds and other instruments as shall be reasonably requisite therefor and shall reconvey the Mortgaged Property there held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such conveyance may be described as "the person or persons legally entitled thereto".

8.04 Debenture Lost or Stolen

If this Debenture should become mutilated, lost, stolen or destroyed, the Corporation shall, upon being furnished with evidence satisfactory to it of such mutilation, loss, theft or destruction, issue and deliver a replacement Debenture of even date and tenor as the one mutilated, lost, stolen or destroyed, as a replacement for the mutilated, lost, stolen or destroyed Debenture.

8.05 Severability

In the event that any one or more provisions hereof shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Debenture, but this Debenture shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

8.06 Charges Effective Immediately

Neither the execution nor registration of this Debenture nor any partial advances by the Agent or the Banks, shall bind the Agent or the Banks to advance any other amounts to the Corporation, but the Charges shall take effect forthwith upon the execution of this Debenture by the Corporation.

8.07 No Collateral Warranties

There is no representation, warranty or collateral agreement affecting this Debenture or the Mortgaged Property, other than as expressed herein in writing.

8.08 Number and Gender

In this Debenture, words importing the singular number include the plural and vice-versa and words importing gender include all genders.

8.09 Successors

All of the grants, obligations, covenants, agreements, terms, provisions and conditions herein shall apply to, bind and inure to the benefit of the successors and assigns of the Corporation, any subsequent owner of the Mortgaged Property, the successors and assigns of any such subsequent owner, and the successors of the Agent and the Banks; and all references herein to the Corporation shall, should the Mortgaged Property be transferred hereunder by the Corporation named hereunder, be deemed to include any subsequent owner and its or his successors and assigns. Nothing in the preceding sentence shall, however, be construed as consenting to any transfer, the other provisions of this Debenture relative to transfers of the Mortgaged Property, or interests therein, governing the rights of the Agent and the Banks and the obligations of the Corporation in respect thereof.

8.10 Notices

Any notice required or permitted to be given by the Agent, the Instructing Group or the Banks to the Corporation hereunder may be delivered to the Corporation or a responsible officer (including any officer apparently authorized to receive official communications) thereof or may be sent (except if there is a postal interruption or a likelihood of a postal interruption at such time) by prepaid registered mail addressed to the Corporation at the address above shown, or such further or other address as the Corporation may notify to the Agent in writing from time to time, and if so given the notice shall be deemed to have been given on the day of delivery or the fifth Business Day following the day when it is deposited in the post office, as the case may be.

Transmittal of any notice or demand by recognized commercial overnight courier, or other method of delivery (including telecopy or telex) shall be the equivalent of mailing by registered mail as above provided.

The Corporation hereby requests that a copy of any notice of a Default or notice of sale as may be required by law be mailed to it at its address herein contained.

8.11 Governing Law

This Debenture shall be governed by and construed in accordance with the laws of the Province of Ontario except as required by mandatory provisions of law and except to the extent that the validity and perfection of the Charges (or any of them) hereunder, or remedies hereunder, in respect of any of the Mortgaged Property are governed by the laws of any jurisdiction other than the Province of Ontario, and the laws of Canada applicable therein.

8.12 Discretion of Agent

Wherever the Agent's or the Banks' or the Instructing Group's judgment, consent or approval is required hereunder for any matter, or the Agent, the Banks or the Instructing Group shall have an election or option hereunder, such judgment, the decision as to whether or not to consent to or approve the exercise of such option or election, shall be in the sole and absolute discretion of such person or group, unless otherwise expressly stated herein to be reasonably given or exercised.

8.13 Provisions as to Covenants and Agreements

All of the Corporation's covenants and agreements hereunder shall run with the lands secured hereby, and time is of the essence with respect thereto.

8.14 Matters in Writing

This Debenture cannot be altered, amended, modified, terminated or discharged except in writing signed by the party against whom such amendment, alteration, modification, termination, or discharge is sought to be enforced. No waiver, release or forbearance by the Agent, the Banks or the Instructing Group, as the case may be, will be effective against the Agent, the Banks or the Instructing Group as the case may be, unless in writing signed by the Agent, the Banks or the Instructing Group, as the case may be, and then, only to the extent expressly stated.

8.15 No Merger

The doctrine of merger shall not operate, upon any foreclosure of the Charges on the Mortgaged Property or vesting of the estates of a lessor and lessee of any part of the Mortgaged Property in one person, to terminate or destroy any leases then existing unless the Instructing Group shall so elect in writing.

8.16 Indemnity and Expenses

Without limitation to any other provision hereof,

8.16.1 The Corporation agrees to indemnify the Agent and each Bank from and against any and all clauses, losses and liabilities arising out of or resulting from this Debenture (including without limitation, enforcement of this Debenture), except claims, losses or liabilities resulting from the Agent's or such Bank's gross negligence or willful misconduct.

8.16.2 The Corporation will, upon demand, pay to the Agent and the Banks the amount of any and all expenses, including the fees and disbursements on a solicitor and his own charge basis, and fees and expenses of any experts and agents, which the Agent or any of the Banks may incur in connection with (i) the administration of this Debenture, (ii) the custody, preservation, use and operation of, or the sale of, collection from, or other realization upon, any of the Mortgaged Property, (iii) the exercise or enforcement of any of the rights of the Agent or the Banks hereunder or (iv) the failure by the Corporation to perform or observe any of the terms or provisions hereof.

8.17 Sections and Headings

The division of this Debenture into sections and the insertion of heading are for convenience of reference only and shall not affect the construction or interpretation hereof.

IN WITNESS WHEREOF the Corporation has caused its corporate seal to be hereunto affixed and this Debenture to be signed by its duly authorized officers on the 3rd day of November, 1987.

SIGNED, SEALED & DELIVERED in the presence of:

S & P CANADA II, INC.

Per: _____ (c/s)

_____

And: _____

Province of : Ontario

SS

County of : York

And on this 3rd day of November, 1987, before me personally appeared Jack Harris, to me personally known, who being by me duly sworn, says that he is the Secretary of S & P Canada II, Inc., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

IN WITNESS WHEREOF, I have set my hand and notarial seal this 3rd day of November, 1987.

(seal)

Name: Kevin J. Morley

fix-deb.2

I HOLD MY APPOINTMENT AS A NOTARY PUBLIC IN AND FOR THE PROVINCE OF ONTARIO FOR LIFE

SCHEDULE "A"

Permitted Encumbrances

(i) Encumbrances or pledges and deposits made in connection with workmen's compensation, unemployment insurance, old-age pensions and similar legislation;

(ii) Encumbrances securing the performance of bids, tenders, leases, contracts (other than for the repayment of borrowed money), statutory obligations or like nature, incurred as an incident to and in the ordinary course of business;

(iii) statutory Encumbrances of landlords, undetermined or inchoate Encumbrances and other Encumbrances imposed by law, such as carriers', warehousemens', mechanics', construction, materialmens' and vendors' Encumbrances, incurred in good faith in the ordinary course of business;

(iv) Encumbrances securing the payment of Taxes, assessments and governmental charges or levies, either (a) not delinquent or (b) being contested in good faith by appropriate proceedings;

(v) permits, right-of-way, zoning restrictions, easements, licenses, reservations, restrictions on the use of real property or minor irregularities or minor title defects incidental thereto which do not in the aggregate materially detract from the value of the Mortgaged Property or materially impair the operation of the business of the Corporation;

(vi) Encumbrances arising out of the leasing of personal property by it in the ordinary course of business;

(vii) Purchase Money Encumbrances incurred in the ordinary course of business for the purposes of securing the payment of any purchase price balance not greater than U.S. $500,000, or the equivalent amount in Canadian dollars, of any assets (other than current assets) acquired by the Corporation;

(viii) reservations and exceptions contained in or implied by statute in the original disposition from the Crown and grants made by the Crown of interests so reserved or accepted;

(ix) Encumbrances listed as exceptions to title in the title policy or policies insuring the Charges of this Debenture issued by a title company or companies acceptable to the Agent and the Banks;

(x) Encumbrances given in the ordinary course of business by the Corporation to a public utility or any municipality or governmental or public authority in connection with operations of such Corporation or any of its Subsidiaries (other than in connection with borrowed money) securing not more than U.S. $500,00 or the equivalent amount thereof in Canadian dollars in the aggregate;

(xi) Encumbrances under security granted by the Corporation in connection with the Revolving Facility Agreement; and

(xii) Encumbrances for the payment of U.S. Tariffs (as and to the extent provided for in the Acquisition Credit Agreement).

SCHEDULE "B"

OWNER CODE	CAR NUMBER	YEAR BUILT
R	NAHX49343	1971
R	NAHX49345	1971
R	NAHX49361	1971
R	NAHX49366	1971
R	NAHX49391	1971
R	NAHX49488	1971
R	NAHX49489	1971
R	NAHX49490	1971
R	NAHX49499	1971
R	NAHX49706	1973
R	NAHX49788	1973
R	NAHX49744	1973
R	NAHX50377	1972
R	NAHX50755	1972
R	NAHX54307	1973
R	NAHX54350	1973
R	NAHX54376	1973
R	NAHX54657	1973
R	NAHX54680	1973
R	NAHX54785	1973
R	NAHX54788	1973
R	NAHX54744	1973
R	NAHX54747	1973
R	NAHX54779	1973
R	NAHX56686	1975
R	NAHX57367	1975
R	NAHX57372	1975
R	NAHX57398	1975
R	NAHX800338	1971
R	NAHX800357	1972
R	NAHX800348	1972
R	NAHX800366	1972
R	NAHX800499	1973
R	NAHX800534	1973
R	NAHX800566	1974
R	NAHX801047	1975
R	NAHX801054	1975
R	NCHX38758	1975
R	NCHX38759	1975
R	NCHX38799	1975
R	NCHX43559	1972
R	NCHX43588	1972
R	NCHX43599	1972
R	NCHX46083	1973
R	WCFX4500	1980
R	WCFX4501	1980
R	WCFX4502	1980
R	WCFX4503	1980
R	WCFX4504	1980
R	WCFX4505	1980
R	WCFX4506	1980
R	WCFX4507	1980

OWNER CODE	CAR NUMBER	YEAR BUILT
R	WCFX4508	1980
R	WCFX4509	1980
R	WCFX4510	
R	WCFX4511	
R	WCFX4512	
R	WCFX4513	
R	WCFX4514	
R	WCFX4515	
R	WCFX4516	
R	WCFX4517	
R	WCFX4518	
R	WCFX4519	
R	WCFX4520	
R	WCFX4521	
R	WCFX4522	
R	WCFX4523	
R	WCFX4524	
R	WCFX4525	
R	WCFX4526	
R	WCFX4527	
R	WCFX4528	
R	WCFX4529	
R	WCFX4530	
R	WCFX4531	
R	WCFX4532	
R	WCFX4533	
R	WCFX4534	
R	WCFX4535	
R	WCFX4536	
R	WCFX4537	
R	WCFX4538	
R	WCFX4539	
R	WCFX4540	
R	WCFX4541	
R	WCFX4542	
R	WCFX4543	
R	WCFX4544	
R	WCFX4545	
R	WCFX4546	
R	WCFX4547	
R	WCFX4548	
R	WCFX4549	
R	WCFX4550	
R	WCFX4551	
R	WCFX4552	
R	WCFX4553	
R	WCFX4554	
R	WCFX4555	
R	WCFX4556	
R	WCFX4557	
R	WCFX4558	
R	WCFX4559	1980

OWNER CODE	CAR NUMBER	YEAR BUILT
R	WCFX4560	1980
R	WCFX4561	
R	WCFX4562	
R	WCFX4563	
R	WCFX4564	
R	WCFX4565	
R	WCFX4566	
R	WCFX4567	
R	WCFX4568	
R	WCFX4569	
R	WCFX4570	
R	WCFX4571	
R	WCFX4572	
R	WCFX4573	
R	WCFX4574	
R	WCFX4575	
R	WCFX4576	
R	WCFX4577	
R	WCFX4578	
R	WCFX4579	
R	WCFX4580	
R	WCFX4581	
R	WCFX4582	
R	WCFX4583	
R	WCFX4584	
R	WCFX4585	
R	WCFX4586	
R	WCFX4587	
R	WCFX4588	
R	WCFX4589	
R	WCFX4590	
R	WCFX4591	
R	WCFX4592	
R	WCFX4593	
R	WCFX4594	
R	WCFX4595	
R	WCFX4596	
R	WCFX4597	
R	WCFX4598	
R	WCFX4599	1980

OWNER CODE	CAR NUMBER	YEAR BUILT
D	NAHX49239	1971
D	NAHX49252	1971
D	NAHX49255	1971
D	NAHX49268	1971
D	NAHX49307	1971
D	NAHX49311	1971
D	NAHX49445	1971
D	NAHX50339	1972
D	NAHX50499	1972
D	NAHX50777	1972
D	NAHX50787	1972
D	NAHX50865	1972
D	NAHX50890	1972
D	NAHX50914	1973
D	NAHX50917	1973
D	NAHX50930	1973
D	NAHX50963	1973
D	NAHX50985	1973
D	NAHX50986	1973
D	NAHX50991	1973
D	NAHX52814	1973
D	NAHX52836	1973
D	NAHX52932	1973
D	NAHX52938	1973
D	NAHX52974	1973
D	NAHX53504	1973
D	NAHX53523	1973
D	NAHX53524	1973
D	NAHX53605	1973
D	NAHX53615	1973
D	NAHX53623	1973
D	NAHX53626	1973
D	NAHX53636	1973
D	NAHX53641	1973
D	NAHX53655	1973
D	NAHX53669	1973
D	NAHX53699	1973
D	NAHX54336	1973
D	NAHX54358	1973
D	NAHX54372	1973
D	NAHX54397	1973
D	NAHX54617	1973
D	NAHX54637	1973
D	NAHX54709	1973
D	NAHX54720	1973
D	NAHX54729	1973
D	NAHX54731	1973
D	NAHX54745	1973
D	NAHX54755	1973
D	NAHX54758	1973
D	NAHX54759	1973
D	NAHX800038	1974

OWNER CODE	CAR NUMBER	YEAR BUILT
R	NAHX38068	1961
R	NAHX455064	1978
R	NAHX455076	1978
R	NAHX455581	1979
R	NAHX465349	1979
R	NAHX465373	1979
R	NAHX475034	1974
R	NAHX475165	1974
R	NAHX475882	1974
R	NAHX477325	1975
R	NAHX477334	1975
R	NAHX477341	1975
R	NAHX477348	1975
R	NAHX477343	1975
R	NAHX477347	1975
R	NAHX477351	1975
R	NAHX477353	1975
R	NAHX477356	1975
R	NAHX477359	1975
R	NAHX477364	1975
R	NAHX477366	1975
R	NAHX477367	1975
R	NAHX477369	1975
R	NAHX477378	1975
R	NAHX477377	1975
R	NAHX477379	1975
R	NAHX477386	1975
R	NAHX477387	1975
R	NAHX477388	1975
R	NAHX477391	1975
R	NAHX477392	1975
R	NAHX477394	1975
R	NAHX477397	1975
R	NAHX477957	1975
R	NAHX478598	1975
R	NAHX478601	1975
R	NAHX479435	1978
R	NAHX479436	1978
R	NAHX479443	1978
R	NAHX479451	1978
R	NAHX479455	1978
R	NAHX479456	1978
R	NAHX479479	1978
R	NAHX479487	1978
R	NAHX479527	1978
R	NAHX479529	1978
R	NAHX48318	1970
R	NAHX48351	1970
R	NAHX48507	1971
R	NAHX49170	1971
R	NAHX49209	1971
R	NAHX49257	1971

OWNER CODE	CAR NUMBER	YEAR BUILT
D	NAHX46870	1974
D	NAHX475176	1974
D	NAHX475461	1974
D	NAHX475472	1974
D	NAHX475530	1974
D	NAHX475596	1974
D	NAHX475706	1974
D	NAHX478400	1975
D	NAHX478442	1975
D	NAHX478444	1975
D	NAHX479387	1978
D	NAHX480359	1979
D	NAHX480362	1979
D	NAHX480620	1979
D	NAHX481130	1979
D	NAHX481136	1979
D	NAHX482190	1979
D	NAHX482503	1979
D	NAHX482514	1980
D	NAHX482515	1980
D	NAHX482520	1980
D	NAHX482526	1980
D	NAHX482531	1980
D	NAHX482544	1980
D	NAHX482552	1980
D	NAHX482595	1980
D	NAHX49100	1971
D	NAHX49102	1971
D	NAHX49115	1971
D	NAHX49124	1971
D	NAHX49126	1971
D	NAHX49129	1971
D	NAHX49130	1971
D	NAHX49133	1971
D	NAHX49138	1971
D	NAHX49139	1971
D	NAHX49147	1971
D	NAHX49148	1971
D	NAHX49150	1971
D	NAHX49164	1971
D	NAHX49175	1971
D	NAHX49182	1971
D	NAHX49184	1971
D	NAHX49187	1971
D	NAHX49188	1971
D	NAHX49192	1971
D	NAHX49198	1971
D	NAHX49200	1971
D	NAHX49212	1971
D	NAHX49220	1971
D	NAHX49230	1971
D	NAHX49236	1971

CODE	NUMBER	BUILT
D	NAHX800042	1974
D	NAHX800457	1974
D	NAHX800672	1974
D	NAHX801067	1974
D	NAHX801257	1974
D	NAHX801259	1974
D	NAHX9014	1979
D	NAHX9017	1979
D	NAHX9037	1979
D	NAHX9048	1979
D	NAHX9144	1979