

DEBENTURE INDENTURE

DATED AS OF JULY 7, 2011

FAMILY MEMORIALS INC.

10% CONVERTIBLE SECURED DEBENTURES

DUE JUNE 15, 2016

COMPUTERSHARE TRUST COMPANY OF CANADA,

AS DEBENTURE TRUSTEE

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THIS INDENTURE is made as of the 7th day of July, 2011.

BETWEEN:

FAMILY MEMORIALS INC.,

a corporation incorporated and existing under the laws of the Province of Ontario

(hereinafter referred to as the “**Corporation**”)

- and -

COMPUTERSHARE TRUST COMPANY OF CANADA

a trust company incorporated under the federal laws of Canada

(hereinafter referred to as the “**Debenture Trustee**”)

WHEREAS the Corporation deems it necessary for its purposes to create and issue the Debentures to be created and issued in the manner hereinafter appearing;

AND WHEREAS the Corporation, under the laws relating to it, is duly authorized to create and issue the Debentures as herein provided;

AND WHEREAS, when certified by the Debenture Trustee and issued as in this Indenture provided, all necessary steps in relation to the Corporation have been duly enacted, passed and/or confirmed and other proceedings taken and conditions complied with to make the creation and issue of the Debentures issued hereunder legal, valid and binding on the Corporation in accordance with the laws relating to the Corporation;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Corporation and not by the Debenture Trustee;

NOW THEREFORE THIS AGREEMENT WITNESSES that for good and valuable consideration mutually given and received, the receipt and sufficiency of which is hereby acknowledged, it is hereby agreed and declared as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Indenture and the recitals, unless there is something in the subject matter or context inconsistent therewith or unless otherwise expressly provided, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

- (a) “**this Debenture Indenture**”, “**this Indenture**”, “**hereto**”, “**herein**”, “**hereby**”, “**hereunder**”, “**hereof**” and similar expressions refer to this Indenture and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;
- (b) “**90% Redemption Right**” has the meaning ascribed thereto in Section 2.2(g)(vii);
- (c) “**90% Redemption Right Notice**” has the meaning ascribed thereto in Section 2.2(g)(vii);
- (d) “**Acceptance Notice**” has the meaning ascribed thereto in Section 2.2(g)(iii);
- (e) “**Applicable Securities Legislation**” means applicable securities laws (including published rules, regulations, policies, blanket orders, rulings and instruments) in each of the Provinces of Canada;
- (f) “**Authorized Officer**” means authorized officer(s) of the Corporation;
- (g) “**Barber**” means Barber Monuments Limited, a corporation incorporated under the laws of the Province of Ontario and a direct, wholly owned Subsidiary of the Corporation;
- (h) “**Barber Guarantee**” means the guarantee of the Debenture Indebtedness granted by Barber in the form attached as Schedule “D”;
- (i) “**Barber Security Agreement**” means the general security agreement entered into by Barber in favour of the Debenture Trustee on behalf of itself and the Debentureholders, providing for, *inter alia*, a Security Interest on all of Barber’s present and after-acquired real and personal property in the form attached as Schedule “E”;
- (j) “**Beneficial Holder**” means any person who holds a beneficial interest in a Global Debenture as shown on the books of the Depository or a Depository Participant;
- (k) “**Business Day**” means any day which is not Saturday or Sunday or a statutory holiday in the Province of Alberta or any other day on which businesses of the Debenture Trustee and Canadian chartered banks are generally closed;
- (l) “**CDS**” means CDS Clearing and Depository Services Inc.;
- (m) “**Change of Control**” will be deemed to occur upon the occurrence of any of the following events:

- (i) the acquisition (whether by purchase, merger, arrangement, business combination or otherwise) by any Person or group of Persons acting jointly or in concert (within the meaning of the MI 62-104) of ownership of, or voting control or direction over, 50% or more of the outstanding Shares; or
- (ii) any conveyance, transfer, sale, lease or other disposition of all or substantially all of the assets of the Corporation and its Subsidiaries on a consolidated basis taken as a whole;

however, a “Change of Control” will not include a sale, merger, reorganization or similar transaction if the previous holders of voting securities of the Corporation immediately prior to such transaction hold at least 50% of the voting control or direction in such merged, reorganized or other continuing entity;

- (n) “**Change of Control Purchase Date**” has the meaning ascribed thereto to it in Section 2.2(g)(v);
- (o) “**Conversion Price**” means with respect to the Debentures, the \$0.19 amount for which each Share may be issued from time to time upon the conversion of the Debentures, as adjusted in accordance with the provisions of Article 6;
- (p) “**Corporation**” means Family Memorials Inc. and includes any successor to or of the Corporation that shall have complied with the provisions of Article 10;
- (q) “**Corporation Securities Pledge Agreement**” means the securities pledge agreement entered into by the Corporation in favour of the Debenture Trustee on behalf of itself and the Debentureholders, pursuant to which, *inter alia*, the Corporation has pledged all of the shares and other securities at any time held by it in the capital of the Guarantors in the form attached as Schedule “F”;
- (r) “**Corporation Security Agreement**” means the general security agreement entered into by the Corporation in favour of the Debenture Trustee on behalf of itself and the Debentureholders, providing for, *inter alia*, a Security Interest on all of the Corporation’s present and after-acquired real and personal property in the form attached as Schedule “E”;
- (s) “**Counsel**” means a barrister or solicitor or a firm of barristers or solicitors, who may be counsel for the Corporation, acceptable to the Debenture Trustee, acting reasonably;
- (t) “**Current Market Price**” for any date means the VWAP of the Shares on the TSX for the 20 consecutive Trading Days ending on the fifth Trading Day preceding the date of the applicable event (or, if the Shares are not listed thereon, on such stock exchange on which the Shares are listed as may be selected by the Directors and approved by the Debenture Trustee or, if the Shares are not listed on any stock exchange, then on the over-the-counter market or, if there is no market, fair value as determined by an independent financial advisor selected by the Directors and approved by the Debenture Trustee, acting reasonably);
- (u) “**Date of Conversion**” has the meaning ascribed thereto in Section 6.4(b);

- (v) “**Debenture Documents**” means this Indenture, the Debentures, the Security Documents and all other certificates, instruments, notices, agreements and documents delivered or to be delivered pursuant to this Indenture, the Debentures or the Security Documents, each as amended, modified, supplemented, restated or replaced from time to time;
- (w) “**Debenture Indebtedness**” means all present and future debts, liabilities and obligations of the Corporation to the Debenture Trustee and the Debentureholders under and in connection with this Indenture, the Debentures and the other Debenture Documents, including all interest and principal amounts payable by the Corporation in respect of the Debentures and all fees and other money payable or owing by the Corporation from time to time pursuant to the terms of this Indenture, any of the Debentures and/or any of the other Debenture Documents;
- (x) “**Debenture Offer**” has the meaning ascribed thereto in Section 2.2(g)(i);
- (y) “**Debenture Trustee**” means Computershare Trust Company of Canada or its successor or successors for the time being as trustee hereunder;
- (z) “**Debentureholders**” or “**holders**” means the Persons for the time being entered in the register for Debentures as registered holders of Debentures or any transferees of such Persons by endorsement or delivery;
- (aa) “**Debentures**” means the 10% convertible secured debentures of the Corporation issued and certified hereunder, or deemed to be issued and certified hereunder, and for the time being outstanding, whether in definitive, interim form or in the form of Global Debentures;
- (bb) “**Debt**” means, with respect to any Person, without duplication, the aggregate of the following amounts, each calculated in accordance with GAAP unless the context otherwise requires: (i) all obligations (including, without limitation, by way of overdrafts and drafts or orders accepted representing extensions of credit) that would be considered to be indebtedness for borrowed money and all obligations, whether or not with respect to the borrowing of money, that are evidenced by bonds, debentures, notes or other similar instruments; (ii) the face amount of all bankers’ acceptances and similar instruments; and (iii) the amount of the contingent liability under any guarantee of any part or all of an obligation of another Person of a type included in items (i) or (ii) including the amount of all contingent liabilities in respect of letters of credit, letters of guarantee and similar instruments issued to support any such items;
- (cc) “**Depository**” means, with respect to the Debentures issuable or issued in the form of one or more Global Debentures, the Person designated as depository by the Corporation pursuant to Section 3.2 until a successor depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “**Depository**” shall mean each Person who is then a depository hereunder, and if at any time there is more than one such person, “**Depository**” as used with respect to the Debentures shall mean the depository with respect to the Global Debentures and the Depository shall initially be CDS;
- (dd) “**Depository Participant**” means a broker, dealer, bank, other financial institution or other Person for whom from time to time, a Depository effects book-entry for a Global Debenture deposited with the Depository;

- (ee) “**Directors**” means the directors of the Corporation on the date hereof or such directors as may, from time to time, be appointed or elected directors of the Corporation pursuant to the Corporation’s articles and by-laws, and applicable laws, and “**Director**” means any one of them, and reference to action by the Directors means action by the Directors as a board;
- (ff) “**Event of Default**” has the meaning ascribed thereto in Section 8.1;
- (gg) “**Expiry Date**” has the meaning ascribed thereto in Section 2.2(g)(ii);
- (hh) “**Expiry Time**” has the meaning ascribed thereto in Section 2.2(g)(ii);
- (ii) “**Extraordinary Resolution**” has the meaning ascribed thereto in Section 12.13;
- (jj) “**Family Memorials Group**” means the Corporation and its Subsidiaries;
- (kk) “**Freely Tradable**” means, in respect of any Shares or any other securities of the Corporation or any other person, as the case may be, which securities (i) may be issued without the necessity of filing a prospectus or any other similar offering document (other than such prospectus or similar offering document that has already been filed) under Applicable Securities Legislation and such issue does not constitute a distribution (other than a distribution already qualified by prospectus or similar offering document or that is otherwise exempt from prospectus requirements) under Applicable Securities Legislation; and (ii) can be traded by the holder thereof without any restriction under Applicable Securities Legislation, such as hold periods, except in the case of a control distribution (as defined in the Applicable Securities Legislation);
- (ll) “**generally accepted accounting principles**” or “**GAAP**” means generally accepted accounting principles in Canada, as amended from time to time, as applicable to the Corporation and for greater certainty includes International Financial Reporting Standards as and to the extent applicable to the Corporation;
- (mm) “**Global Debenture**” means a Debenture that is issued to and registered in the name of the Depository, or its nominee, pursuant to Section 2.3 for purposes of being held by or on behalf of the Depository as custodian for participants in the Depository’s book-entry only registration system;
- (nn) “**Grajack**” means Grajack Industries Ltd., a corporation incorporated under the laws of the Province of Ontario and a direct, wholly owned Subsidiary of the Corporation;
- (oo) “**Grajack Guarantee**” means the guarantee of the Debenture Indebtedness granted by Grajack in the form attached as Schedule “D”;
- (pp) “**Grajack Security Agreement**” means the general security agreement entered into by Grajack in favour of the Debenture Trustee on behalf of itself and the Debentureholders, providing for, *inter alia*, a Security Interest on all of Grajack’s present and after-acquired real and personal property in the form attached as Schedule “E”;
- (qq) “**Guarantees**” means, collectively, the Barber Guarantee, the Grajack Guarantee, the Somerville Guarantee and the Verduyn Guarantee;

- (rr) “**Guarantors**” means Barber, Grajack, Somerville, Verduyn and each other Person that is hereafter required to execute a guarantee of the Debenture Indebtedness in accordance with the terms hereof and “**Guarantor**” means any one of them;
- (ss) “**Interest Obligation**” means the obligation of the Corporation to pay interest on the Debentures, as and when the same becomes due;
- (tt) “**Interest Payment Date**” means a date specified for the Debentures as the date on which an installment of interest on the Debentures shall be due and payable and which, for the Debentures shall be semi-annually on June 15 and December 15 in each year, commencing on December 15, 2011 computed on the basis of a 365-day year;
- (uu) “**Maturity Account**” means an account or accounts required to be established by the Corporation (and which shall be maintained by and subject to the control of the Debenture Trustee) for the Debentures pursuant to and in accordance with this Indenture;
- (vv) “**Maturity Date**” means June 15, 2016;
- (ww) “**MI 62-104**” means Multilateral Instrument 62-104 – Takeover bids and Issuer Bids;
- (xx) “**Offer Price**” has the meaning ascribed thereto in Section 2.2(g)(i);
- (yy) “**Officer’s Certificate**” means a certificate of the Corporation signed by any one of the Directors or any one authorized officer of the Corporation, on behalf of the Corporation, in such capacity, and not in his personal capacity;
- (zz) “**Permitted Debt**” means:
 - (i) subject to the execution of a Subordination Agreement in accordance with Article 5, Senior Indebtedness;
 - (ii) all indebtedness and other obligations of the Corporation and its Subsidiaries under this Indenture, the Debentures and the other Debenture Documents;
 - (iii) Purchase Money Obligations of the Company or its Subsidiaries; and
 - (iv) obligations or amounts owed to trade creditors, suppliers and service providers that accruals in relation thereto in the ordinary course of business, in each case due and payable or outstanding for less than 90 days;
- (aaa) “**Permitted Encumbrances**” means as of any particular time any of the following encumbrances on the Secured Assets or property intended to form part of the Secured Assets or any part thereof:
 - (i) liens for taxes, assessments or governmental charges not at the time due or delinquent or the validity of which are being contested at the time in good faith by the Corporation or a Guarantor by proceedings diligently conducted;

- (ii) the lien arising from any judgment rendered or claim filed against the Corporation or a Guarantor which the Corporation or such Guarantor is contesting at the time in good faith by proceedings diligently conducted;
 - (iii) undetermined or inchoate liens and charges incidental to construction or to current operations which have not at such time been filed pursuant to applicable law against the Corporation or a Guarantor or which relate to obligations not due or delinquent;
 - (iv) easements, rights-of-way, servitudes or other similar rights in land (including, without limiting the generality of the foregoing, rights-of-way and servitudes for railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other persons which singly or in the aggregate do not materially detract from the value of the land concerned or materially impair its use in the operation of the business of the Corporation or any Guarantor;
 - (v) security given by the Corporation or any Guarantor to a public utility or any municipality or governmental or other public authority which is required by such utility or municipality or other authority in connection with the operations of the Corporation or such Guarantor, all in the ordinary course of its business which singly or in the aggregate does not materially detract from the value of the assets concerned or materially impair their use in the operation of the business of the Corporation or such Guarantor;
 - (vi) the reservation in any original grants from the Crown of any land or interests therein and statutory exceptions to title;
 - (vii) purchase-money security interests granted to secure the purchase price of assets purchased by the Corporation or a Guarantor, provided that the security interest extends only to such assets;
 - (viii) any Security Interest consented to in writing by an Extraordinary Resolution delivered to the Trustee;
 - (ix) the Security Interests created by the Security Documents; and
 - (x) subject to the execution of a Subordination Agreement in accordance with Article 5, the Senior Security;
- (bbb) “**Person**” means and includes individuals, corporations, limited partnerships, general partnerships, joint stock companies, limited liability companies, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, business trusts or other organizations, whether or not legal entities and governments, governmental agencies and political subdivisions thereof;

- (ccc) “**Prospectus**” means the short form prospectus of the Corporation dated June 14, 2011 wherein the Corporation is offering the Debentures in the aggregate amount of \$5,357,000 (including over-allotment), which prospectus has been filed in the provinces of Ontario, Manitoba, Saskatchewan, Alberta and British Columbia to qualify the distribution of the Debentures;
- (ddd) “**Purchase Money Obligation**” means any monetary obligation created or assumed as part of the purchase price of any real property, tangible personal property or fixture, whether or not secured, any extensions, renewals or refundings of any such obligation, provided that the principal amount of such obligation outstanding on the date of such extension, renewal or refunding is not increased and further provided that any security given in respect of such obligation shall not extend to any property other than the property acquired in connection with which such obligation was created or assumed and fixed improvements, if any, erected or constructed thereon and the proceeds thereof;
- (eee) “**Receiver**” means a receiver or a receiver-manager;
- (fff) “**Redemption Date**” has the meaning ascribed thereto in Section 4.2;
- (ggg) “**Redemption Notice**” has the meaning ascribed thereto in Section 4.2;
- (hhh) “**Redemption Price**” means the outstanding principal amount, any accrued and unpaid interest up to, but excluding the Redemption Date, plus a premium equal to 5% of the outstanding principal amount of a Debenture;
- (iii) “**Schedule I Bank**” means a bank set forth in Schedule I to the *Bank Act* (S.C. 1991, c.46);
- (jjj) “**Secured Assets**” means the property, assets, rights and undertakings of the Corporation and the Guarantors from time to time subject to, or intended to be subject to, the Security Interests created pursuant to the Security Documents and includes any part thereof as the context requires;
- (kkk) “**Security Agreements**” means, collectively, the Corporation Security Agreement, the Barber Security Agreement, the Grajack Security Agreement, the Somerville Security Agreement and the Verduyn Security Agreement;
- (lll) “**Security Documents**” means, collectively, the Guarantees, the Security Agreements, the Corporation Securities Pledge Agreement and such further agreements, instruments and other documents that may at any time be required to be provided by the Corporation or any Guarantor hereunder to ensure that the Debenture Trustee (for itself and the Debentureholders) has, subject to the Permitted Encumbrances, a first priority Security Interest in all of the Corporation’s and each Guarantor’s present and after-acquired real and personal property;
- (mmm) “**Security Interest**” means any assignment, mortgage, charge, pledge, lien, encumbrance or security interest whatsoever, howsoever created or arising, whether absolute or contingent, fixed or floating, perfected or not;
- (nnn) “**Senior Creditor**” means a holder or holders of Senior Indebtedness;

- (ooo) “**Senior Indebtedness**” means all indebtedness, liabilities and obligations of the Corporation, up to a total aggregate principal amount of \$2,000,000 to any Schedule I Bank, including any indebtedness, liabilities and obligations of the Corporation from time to time as a guarantor of the indebtedness, liabilities and obligations of any subsidiary of the Corporation to any Schedule I Bank, that, by the terms of the instrument creating or evidencing the same, is expressed to rank in priority to the security of the Corporation granted to the holders of the Debentures;
- (ppp) “**Senior Security**” means all mortgages, hypothecs, liens, pledges, charges (whether fixed or floating), security interests or other encumbrances of any kind, contingent or absolute, securing any Senior Indebtedness;
- (qqq) “**Shares**” means common shares of the Corporation, as such common shares are constituted on the date of execution and delivery of this Indenture; provided that in the event of a change or a subdivision, revision, reduction, combination or consolidation thereof, any reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, or such successive changes, subdivisions, redivisions, reductions, combinations or consolidations, reclassifications, capital reorganizations, consolidations, amalgamations, arrangements, mergers, sales or conveyances or liquidations, dissolutions or windings-up, then, subject to adjustments, if any, having been made in accordance with the provisions of Section 6.5, “Shares” shall mean the shares or other securities or property resulting from such change, subdivision, redivision, reduction, combination or consolidation, reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up;
- (rrr) “**Somerville**” means Somerville Memorials Ltd., a corporation incorporated under the laws of the Province of Alberta and a direct, wholly owned Subsidiary of the Corporation;
- (sss) “**Somerville Guarantee**” means the guarantee of the Debenture Indebtedness granted by Somerville in the form attached as Schedule “D”;
- (ttt) “**Somerville Security Agreement**” means the general security agreement entered into by Somerville in favour of the Debenture Trustee on behalf of itself and the Debentureholders, providing for, *inter alia*, a Security Interest on all of Somerville’s present and after-acquired real and personal property in the form attached as Schedule “E”;
- (uuu) “**Subordination Agreement**” has the meaning ascribed thereto in Section 5.3;
- (vvv) “**Subsidiary**” when used to indicate a relationship with a Person or company, has the same meaning as set forth in the *Business Corporations Act* (Ontario);
- (www) “**Successor**” has the meaning ascribed thereto in Section 10.1;
- (xxx) “**Tax Act**” means the *Income Tax Act* (Canada) as amended from time to time;
- (yyy) “**Time of Expiry**” has the meaning ascribed thereto in Section 2.2(e);
- (zzz) “**Trading Day**” means, with respect to the TSXV or other market for securities, any day on which such exchange or market is open for trading or quotation;

- (aaaa) “**TSXV**” means the TSX Venture Exchange or its successor or successors;
- (bbbb) “**United States**” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
- (cccc) “**Verduyn**” means R. H. Verduyn Granite Company Ltd., a corporation incorporated under the laws of the Province of Ontario and a direct, wholly owned Subsidiary of the Corporation;
- (dddd) “**Verduyn Guarantee**” means the guarantee of the Debenture Indebtedness granted by Verduyn in the form attached as Schedule “D”;
- (eeee) “**Verduyn Security Agreement**” means the general security agreement entered into by Verduyn in favour of the Debenture Trustee on behalf of itself and the Debentureholders, providing for, *inter alia*, a Security Interest on all of Verduyn’s present and after-acquired real and personal property in the form attached as Schedule “E”;
- (ffff) “**VWAP**” means the volume-weighted average trading price of the Shares for the applicable period (which must be calculated utilizing days in which the Shares actually trade). The VWAP shall be determined by dividing the aggregate sale price of all Shares sold on the applicable exchange or market, as the case may be, over the applicable period by the total number of Shares so sold; and
- (gggg) “**Written Direction of the Corporation**” means an instrument in writing signed by any one Director of the Corporation or any one Authorized Officer of the Corporation on behalf of the Corporation.

1.2 Meaning of “Outstanding”

Every Debenture certified and delivered by the Debenture Trustee hereunder shall be deemed to be outstanding until it is cancelled, converted, redeemed or delivered to the Debenture Trustee for cancellation, conversion or redemption and monies and/or Shares, as the case may be, for the payment thereof shall have been set aside under Article 9, provided that:

- (a) Debentures which have been partially redeemed, purchased or converted shall be deemed to be outstanding only to the extent of the unredeemed, unpurchased or unconverted part of the principal amount thereof;
- (b) when a new Debenture has been issued in substitution for a Debenture which has been lost, stolen or destroyed, only one of such Debenture shall be counted for the purpose of determining the aggregate principal amount of Debentures outstanding; and
- (c) for the purposes of any provision of this Indenture entitling holders of outstanding Debentures to vote, sign consents, requisitions or other instruments or take any other action under this Indenture, or to constitute a quorum of any meeting of Debentureholders, Debentures owned directly or indirectly, legally or equitably, by the Corporation or a Subsidiary of the Corporation shall be disregarded except that:
 - (i) for the purpose of determining whether the Debenture Trustee shall be protected in relying on any such vote, consent, acquisition or other instrument

or action, or on the holders of Debentures present or represented at any meeting of Debentureholders, only the Debentures which the Debenture Trustee knows are so owned shall be so disregarded;

- (ii) Debentures so owned which have been pledged in good faith other than to the Corporation or a Subsidiary of the Corporation shall not be so disregarded if the pledgee shall establish to the satisfaction of the Debenture Trustee the pledgee's right to vote such Debentures, sign consents, requisitions or other instruments or take such other actions in his discretion free from the control of the Corporation or a Subsidiary of the Corporation; and
- (iii) Debentures so owned shall not be disregarded if they are the only Debentures outstanding.

1.3 Headings

The headings, the table of contents and the division of this Indenture into Articles and Sections are for convenience of reference only and shall not affect the interpretation of this Indenture.

1.4 References

Unless otherwise specified in this Indenture:

- (a) references to Articles, Sections, and Schedules are to Articles, Sections, and Schedules in this Indenture; and
- (b) "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions, without reference to a particular provision, refer to this Indenture.

1.5 Certain Rules of Interpretation

Unless otherwise specified in this Indenture:

- (a) the singular includes the plural and vice versa; and
- (b) references to any gender shall include references to all genders.

1.6 Day Not a Business Day

In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day.

1.7 Applicable Law

This Indenture and the Debentures shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. For the purpose of all legal proceedings, this Indenture will be deemed to have been performed in the Province of Alberta and the courts of the Province of Alberta will have jurisdiction to entertain any action arising under this Indenture. The Corporation attorns to the jurisdiction of the courts of the Province of Alberta.

1.8 Conflict

In the event of a conflict or inconsistency between a provision in the body of this Indenture and in the Debentures issued hereunder or any other Debenture Document, the provision in the body of this Indenture shall prevail to the extent of the inconsistency.

1.9 Currency

All dollar amounts expressed in this Indenture and in the Debentures are in lawful money of Canada and all payments required to be made hereunder and thereunder shall be made in Canadian dollars.

1.10 Accounting Terms

Except as hereinafter provided or as otherwise indicated in this Indenture, all calculations required or permitted to be made hereunder pursuant to the terms of this Indenture shall be made in accordance with GAAP.

1.11 Calculations

The Corporation shall be responsible for making all calculations called for hereunder including, without limitation, calculations of Current Market Price and calculations made pursuant to Section 2.2(g). The Corporation shall make such calculations in good faith and, absent manifest error, the Corporation's calculations shall be final and binding on holders and the Debenture Trustee. The Corporation will provide a schedule of its calculations to the Debenture Trustee and the Debenture Trustee shall be entitled to rely conclusively on the accuracy of such calculations without independent verification.

1.12 Language

Each of the parties hereto hereby acknowledges that it has consented to and requested that this Indenture and all documents relating thereto, including, without limiting the generality of the foregoing, the form of Debenture attached hereto as Schedule A, be drawn up in the English language only.

1.13 Severability

Each of the provisions in this Indenture is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any of the other provisions hereof.

1.14 Successors and Assigns

All covenants and agreements in this Indenture by the Corporation shall bind its successors and assigns, whether expressed or not.

1.15 Benefits of Indenture

Nothing in this Indenture or in the Debentures, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any paying agent, the holders of Debentures, the Senior Creditors, if any, the Directors and (to the extent provided in Sections 8.11 and 16.2) the holders of Shares, any benefit or any legal or equitable right, remedy or claim under this Indenture.

1.16 Entire Agreement

This Indenture and all supplemental indentures and Schedules hereto and thereto, the Debentures issued hereunder and thereunder, and the other Debenture Documents, together constitute the entire agreement between the parties hereto with respect to the indebtedness created hereunder and thereunder and under the Debentures and supersedes as of the date hereof all prior memoranda, agreements, negotiations, discussions and term sheets, whether oral or written, with respect to the indebtedness created hereunder or thereunder and under the Debentures.

ARTICLE 2 THE DEBENTURES

2.1 Conditions and Limitations of Debentures

Debentures may be issued only upon and subject to the conditions and limitations herein set forth.

2.2 Form and Terms of Debentures

- (a) The Debentures are limited to an aggregate principal amount of not more than \$5,357,000 and shall be designated as “10% Convertible Secured Debentures”.
- (b) The Maturity Date for the Debentures is June 15, 2016. The Debentures shall bear interest from the date of issue at the rate of 10% per annum, payable in equal installments semi-annually in arrears on June 15 and December 15 in each year computed on the basis of a 365-day year. The first such payment will fall due on December 15, 2011 and the last such payment (representing interest payable from and including the last Interest Payment Date to, but excluding, the Maturity Date or the earlier date of redemption, or conversion of the Debentures) will fall due on the Maturity Date or the earlier Redemption Date or Date of Conversion, payable after as well as before maturity and after as well as before default, with interest on amounts after maturity or in default at the same rate, compounded semi-annually, computed on the basis of a 365-day year. For certainty, the first interest payment will include interest accrued and unpaid from and including the date of the Debentures up to, but excluding, December 15, 2011.
- (c) The Debentures are redeemable in accordance with the terms of Article 4 of this Indenture, provided that the Debentures will not be redeemable before June 15, 2014 (except in limited circumstances following a Change of Control as provided herein). On or after June 15, 2014 and prior to the Maturity Date, the Debentures may be redeemed by the Corporation in whole or in part from time to time at the option of the Corporation on notice as provided for in Section 4.2 and at the Redemption Price plus accrued and unpaid interest up to and excluding the Redemption Date. The Redemption Notice for the Debentures shall be in the form of Schedule B to this Indenture.
- (d) Each Debenture will rank *pari passu* with each other Debenture issued under this Indenture.
- (e) Upon and subject to the provisions and conditions of Article 6 of this Indenture, the holder of each Debenture shall have the “right” at such holder’s option, at any time prior to the close of business on the earlier of (i) the Maturity Date and (ii) the last Business Day immediately preceding the Redemption Date specified by the Corporation for redemption of the Debentures in the Redemption Notice provided to the holders of Debentures in accordance with Sections 2.2(c) and 4.3 of this

Indenture (the earlier of which will be the “**Time of Expiry**” for the purposes of Article 6 of the Indenture in respect of the Debentures), to convert all or any portion of, subject to the conversion of \$1,000 increments, the principal amount of such Debentures into Shares at the Conversion Price in respect of the Debentures in effect on the Date of Conversion. Notwithstanding any other provisions of this Indenture, if a Debenture is surrendered for conversion on an Interest Payment Date or during the ten preceding Business Days, the Person or Persons entitled to receive Shares in respect of the Debenture so surrendered for conversion shall not become the holder or holders of record of such Shares until the Business Day following such Interest Payment Date.

The Conversion Price in effect on the date hereof for each Share to be issued upon the conversion of Debentures shall be equal to \$0.19, such that 5,263.1579 Shares shall be issued for each \$1,000 principal amount of Debentures so converted, subject to the terms of Section 6.6. Holders converting their Debentures will receive, as the case may be, interest that has accrued but not been paid from the most recently completed Interest Payment Date to, but excluding, the Date of Conversion. Holders converting their Debentures on an Interest Payment Date will receive the respective interest payment. The Conversion Price applicable to the Shares, securities or other property receivable on the conversion of the Debentures is subject to adjustment pursuant to the provisions of Section 6.5.

- (f) The Debentures shall be issued in denominations of \$1,000 and integral multiples of \$1,000 and the Debenture Trustee is hereby appointed as registrar and transfer agent for the Debentures. Each Debenture and the certificate of the Debenture Trustee endorsed thereon shall be issued in substantially the form set out in Schedule A to this Indenture, with such insertions, omissions, substitutions, or other variations as shall be permitted by this Indenture, and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto or with any rules or regulations of any securities exchange or securities regulatory authority or to conform with general usage, all as may be determined by Directors or an Authorized Officer executing such Debenture in accordance with Section 2.4 hereof, as conclusively evidenced by his or her execution of a Debenture. Each Debenture shall additionally bear such distinguishing letters and numbers as the Debenture Trustee shall approve. Notwithstanding the foregoing, a Debenture may be in such other form or forms as may, from time to time, be approved by a resolution of the Directors or as specified in an Officers’ Certificate. The Debentures may be engraved, lithographed, printed, mimeographed or typewritten or partly in one form and partly in another. The Debentures shall be issued as Global Debentures and the initial Depository for the Debentures shall be CDS. The Global Debentures shall be registered in the name of the Depository (or any nominee of the Depository). No Beneficial Holder will receive definitive certificates representing their interest in Debentures except as provided in Section 3.2 of this Indenture. A Global Debenture may be exchanged for Debentures in registered form that are not Global Debentures, or transferred to and registered in the name of a Person other than the Depository for such Global Debentures or a nominee thereof as provided in Section 3.2.
- (g) Within 30 days following the occurrence of a Change of Control, the Corporation shall be obligated to offer to purchase all Debentures then outstanding. The terms and conditions of such obligation are set forth below:

- (i) Within 30 days following the occurrence of a Change of Control, the Corporation shall deliver to the Debenture Trustee a notice in writing stating that there has been a Change of Control and specifying the date on which such Change of Control occurred and the circumstances or events giving rise to such Change of Control together with an offer in writing (the “**Debenture Offer**”) to purchase all of the Debentures then outstanding from the holders thereof at a price per Debenture equal to 100% of the principal amount thereof together with accrued and unpaid interest thereon up to but excluding the Change of Control Purchase Date (as defined below) (the “**Offer Price**”). The Debenture Trustee will promptly thereafter deliver, by prepaid courier or mail, the Debenture Offer to the holders of all Debentures then outstanding, at their addresses appearing in the registers of holders of Debentures maintained by the Debenture Trustee.
- (ii) The Debenture Offer shall specify the date (the “**Expiry Date**”) and time (the “**Expiry Time**”) on which the Debenture Offer shall expire which date and time shall not, unless otherwise required by Applicable Securities Legislation, be earlier than the close of business on the 35th day and not later than the close of business on the 60th day following the date on which such Debenture Offer is delivered or mailed by or on behalf of the Debenture Trustee as provided above.
- (iii) The Debenture Offer shall specify that the Debenture Offer may be accepted by the holders of Debentures by tendering the Debentures so held by them to the Debenture Trustee at its offices in Calgary, Alberta at or before the Expiry Time together with an acceptance notice (the “**Acceptance Notice**”) in form and substance acceptable to the Debenture Trustee.
- (iv) The Debenture Offer shall state that holders of Debentures may accept the Debenture Offer in respect of all or a portion (in a minimum amount of \$1,000 principal amount and multiples thereof) of their Debentures.
- (v) The Debenture Offer shall specify a date (the “**Change of Control Purchase Date**”) no later than the third Business Day following the Expiry Date on which the Corporation shall take up and pay for all Debentures duly tendered in acceptance of the Debenture Offer.
- (vi) Upon receipt by the Debenture Trustee of a properly completed Acceptance Notice from a holder, the holder shall (unless such Acceptance Notice is withdrawn as specified in Section 2.2(g)(vii)) thereafter be entitled to receive the Offer Price with respect to such Debentures tendered to the Debenture Offer. Such Offer Price shall be paid via first class mail, as the case may be, to such holder at the holder’s address as shown on the register of holders as soon as practicable following the Change of Control Purchase Date.
- (vii) An Acceptance Notice may be withdrawn by means of a written notice (which may be delivered by mail, overnight courier, hand delivery, facsimile transmission or in any other written form) of withdrawal delivered by the holder to the Debenture Trustee at any time prior to the close of business on the Business Day immediately preceding the Change of Control Purchase Date, specifying: (1) the principal amount of the Debentures or portion thereof (which must be a principal amount of \$1,000 or an integral multiple of \$1,000 in excess thereof) with respect to which such notice of withdrawal is being

submitted; (2) the certificate number of the Debentures being withdrawn in whole or in part; and (3) the portion of the principal amount of the Debenture that will remain subject to the Acceptance Notice, which portion must be a principal amount of \$1,000 or an integral multiple thereof.

- (viii) The Debenture Trustee will promptly return to the respective holders thereof any Debentures with respect to which an Acceptance Notice has been withdrawn in compliance with this Indenture.
- (ix) The Corporation shall, on or before 11:00 a.m. (Calgary time), on the Business Day immediately prior to the Change of Control Purchase Date pay to the Debenture Trustee by wire transfer or such other means as may be acceptable to the Debenture Trustee, an amount of money sufficient to pay the aggregate Offer Price in respect of all Debentures duly tendered to the Debenture Offer (less any tax required by law to be deducted). The Debenture Trustee, on behalf of the Corporation, will pay the Offer Price to the holders of Debentures in the respective amounts to which they are entitled in accordance with the Debenture Offer as aforesaid.
- (x) If holders of 90% or more of the aggregate principal amount of Debentures outstanding on the date the Corporation delivers the Debenture Offer to the Debenture Trustee accept the Debenture Offer, the Corporation shall have the right (the “**90% Redemption Right**”), upon written notice (the “**90% Redemption Right Notice**”) provided to the Debenture Trustee within 10 days following the Expiry Date, to elect to redeem all the Debentures remaining outstanding at the Offer Price and on the other terms and conditions provided herein. Upon receipt of such notice by the Debenture Trustee, the Debenture Trustee shall promptly provide written notice to each holder of outstanding Debentures (other than those that have accepted the Debenture Offer) that:
 - (1) the Corporation has exercised the 90% Redemption Right and is purchasing all outstanding Debentures effective as at the Change of Control Purchase Date at the Offer Price;
 - (2) such holder must surrender its Debentures to the Debenture Trustee within 10 days after the sending of such notice; provided that with respect to a Global Debenture, the obligation to surrender an Debenture to the Debenture Trustee shall be satisfied if the Debenture Trustee makes a notation on the Global Debenture of the principal amount thereof so transferred; and
 - (3) the rights of such holder under the terms of the and this Indenture shall cease effective as of the Change of Control Purchase Date provided the Corporation has, on or before the date on which the Corporation delivers the 90% Redemption Notice to the Debenture Trustee, paid the aggregate Offer Price to, or to the order of, the Debenture Trustee and thereafter such holder's Debentures shall not be considered to be outstanding and such holder shall not have any rights hereunder except to receive such Offer Price to which such holder is entitled upon surrender and delivery of such holder's Debentures in accordance with this Indenture.

- (xi) The Corporation shall, on or before 11:00 a.m. (Calgary time), on the Business Day immediately prior to date the Corporation delivers the 90% Redemption Right Notice, pay to the Debenture Trustee by wire transfer or such other means as may be acceptable to the Debenture Trustee, an amount of money sufficient to pay the aggregate Offer Price in respect of all Debentures to be redeemed pursuant to the 90% Redemption Right (less any tax required by law to be deducted). The Debenture Trustee, on behalf of the Corporation, will pay the Offer Price to the holders of Debentures in the respective amounts to which they are entitled in accordance with the exercise of the 90% Redemption Right as aforesaid upon surrender and delivery of such holders' Debentures.
- (xii) The Debentures in respect of which the Corporation has made payment to the Debenture Trustee in accordance with the terms of this Section 2.2(g) (or the portion thereof tendered in acceptance of the Debenture Offer) shall thereafter no longer be considered to be outstanding under this Indenture. The Corporation shall also deposit with the Debenture Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Debenture Trustee in connection with the Debenture Offer and the exercise of the 90% Redemption Right if applicable. All Debentures in respect of which payment of the Offer Price has been so made shall be cancelled by the Debenture Trustee.
- (xiii) In the event a portion of the principal amount only of an Debenture is tendered by a holder thereof in acceptance of the Debenture Offer, the Corporation shall execute and deliver to the Debenture Trustee and the Debenture Trustee shall certify and deliver to the holder, without charge to such holder, a certificate representing the principal amount of the Debenture not so tendered in acceptance of the Debenture Offer.

2.3 Issue of Global Debentures

- (a) The Corporation may specify that the Debentures are to be issued in whole or in part as one or more Global Debentures registered in the name of a Depository, or its nominee, designated by the Corporation in the Written Direction of the Corporation delivered to the Debenture Trustee at the time of issue of such Debentures, and in such event the Corporation shall execute and the Debenture Trustee shall certify and deliver one or more Global Debentures that shall:
 - (i) represent an aggregate amount equal to the principal amount of the outstanding Debentures to be represented by one or more Global Debentures;
 - (ii) be delivered by the Debenture Trustee to such Depository or pursuant to such Depository's instructions; and
 - (iii) bear a legend substantially to the following effect:

“THIS DEBENTURE IS A GLOBAL DEBENTURE WITHIN THE MEANING OF THE INDENTURE HEREIN REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. THIS DEBENTURE MAY NOT BE TRANSFERRED TO OR EXCHANGED FOR DEBENTURES

REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY OR A NOMINEE THEREOF AND NO SUCH TRANSFER MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE DATED AS OF THE 7TH DAY OF JULY, 2011 BETWEEN FAMILY MEMORIALS INC. AND COMPUTERSHARE TRUST COMPANY OF CANADA (THE "INDENTURE"). EVERY DEBENTURE AUTHENTICATED AND DELIVERED UPON REGISTRATION OF, TRANSFER OF, OR IN EXCHANGE FOR, OR IN LIEU OF, THIS DEBENTURE SHALL BE A GLOBAL DEBENTURE SUBJECT TO THE FOREGOING, EXCEPT IN SUCH LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO FAMILY MEMORIALS INC. (THE "CORPORATION") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO., OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS & CO., HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE."

- (b) Each Depository designated for a Global Debenture must, at the time of its designation and at all times while it serves as such Depository, be a clearing agency registered or designated under the securities legislation of the jurisdiction where the Depository has its principal offices.

2.4 Execution of Debentures

All Debentures shall be signed (either manually or by facsimile signature) by any one Director of the Corporation or Authorized Officer of the Corporation, on behalf of the Corporation, holding office at the time of signing. A facsimile signature upon a Debenture shall for all purposes of this Indenture be deemed to be the signature of the Person whose signature it purports to be. Notwithstanding that any Person whose signature, either manual or in facsimile, appears on a Debenture as Director of the Corporation or Authorized Officer of the Corporation, on behalf of the Corporation, may no longer hold such office at the date of the Debenture or at the date of the certification and delivery thereof, such Debenture shall be valid and binding upon the Corporation and entitled to the benefits of this Indenture.

2.5 Certification

No Debenture shall be issued or, if issued, shall be obligatory or shall entitle the holder to the benefits of this Indenture, until it has been manually certified by or on behalf of the Debenture Trustee substantially in the form set out in this Indenture, in the relevant supplemental indenture, or in some other form approved by the Debenture Trustee. Such certification on any Debenture shall be conclusive evidence that such Debenture is duly issued, is a valid obligation of the Corporation and the holder is entitled to the benefits hereof.

The certificate of the Debenture Trustee signed on the Debentures, or interim Debentures hereinafter mentioned, shall not be construed as a representation or warranty by the Debenture Trustee as to the validity of this Indenture or of the Debentures or interim Debentures or as to the issuance of the Debentures or interim Debentures and the Debenture Trustee shall in no respect be liable or answerable for the use made of the Debentures or interim Debentures or any of them or the proceeds thereof. The certificate of the Debenture Trustee signed on the Debentures or interim Debentures shall, however, be a representation and warranty by the Debenture Trustee that the Debentures or interim Debentures have been duly certified by or on behalf of the Debenture Trustee pursuant to the provisions of this Indenture.

2.6 Interim Debentures or Certificates

Pending the delivery of definitive Debentures to the Debenture Trustee, the Corporation may issue and the Debenture Trustee may certify in lieu thereof interim Debentures in such forms and in such denominations and signed in such manner as provided herein, entitling the holders thereof to definitive Debentures when the same are ready for delivery; or the Corporation may execute and the Debenture Trustee may certify a temporary Debenture for the whole principal amount of Debentures then authorized to be issued hereunder and the Corporation may deliver the same to the Debenture Trustee and thereupon the Debenture Trustee may issue its own interim certificates in such form and in such amounts, not exceeding in the aggregate the principal amount of the temporary Debenture so delivered to it, as the Corporation, and the Debenture Trustee may approve entitling the holders thereof to definitive Debentures when the same are ready for delivery; and, when so issued and certified, such interim or temporary Debentures or interim certificates shall, for all purposes but without duplication, rank in respect of this Indenture equally with Debentures duly issued hereunder and, pending the exchange thereof for definitive Debentures, the holders of the interim or temporary Debentures or interim certificates shall be deemed without duplication to be Debentureholders and entitled to the benefit of this Indenture to the same extent and in the same manner as though the said exchange had actually been made. Forthwith after the Corporation shall have delivered the definitive Debentures to the Debenture Trustee, the Debenture Trustee shall cancel such temporary Debentures, if any, and shall call in for exchange all interim Debentures or certificates that shall have been issued and forthwith after such exchange shall cancel the same. No charge shall be made by the Corporation or the Debenture Trustee to the holders of such interim or temporary Debentures or interim certificates for the exchange thereof. All interest paid upon interim or temporary Debentures or interim certificates shall be noted thereon as a condition precedent to such payment unless paid by cheque to the registered holders thereof.

2.7 Mutilation, Loss, Theft or Destruction

In case any of the Debentures issued hereunder shall become mutilated or be lost, stolen or destroyed, the Corporation, in its discretion, may issue, and thereupon the Debenture Trustee shall certify and deliver, a new Debenture upon surrender and cancellation of the mutilated Debenture, or in the case of a lost, stolen or destroyed Debenture, in lieu of and in substitution for the same, and the substituted Debenture shall be in a form approved by the Debenture Trustee and shall be

entitled to the benefits of this Indenture and rank equally in accordance with its terms with all other Debentures issued or to be issued hereunder. The new or substituted Debenture may have endorsed upon it the fact that it is in replacement of a previous Debenture. In case of loss, theft or destruction the applicant for a substituted Debenture shall furnish to the Corporation and to the Debenture Trustee such evidence of the loss, theft or destruction of the Debenture and such other documents as shall be satisfactory to them in their discretion and shall also furnish a surety bond and an indemnity satisfactory to them in their discretion. The applicant shall pay all reasonable expenses incidental to the issuance of any substituted Debenture.

2.8 Concerning Interest

- (a) Except as may otherwise be provided in this Indenture or in any supplemental indenture and subject to Section 2.2(b) with respect to the calculation of interest in respect of the initial interest payment to be paid on the Debentures, all Debentures issued hereunder, whether originally or upon exchange or in substitution for previously issued Debentures which are interest bearing, shall bear interest (i) from and including their issue date, or (ii) from and including the last Interest Payment Date in respect of which interest shall have been paid or made available for payment on the outstanding Debentures, whichever shall be the later, to but excluding the next Interest Payment Date. All interest shall accrue from day to day and shall be payable in arrears for the actual number of days lapsed in the relevant interest period. Interest payable in a calendar year shall be payable semi-annually in arrears. Interest on all Debentures issued hereunder shall cease to accrue on, but not including, the Maturity Date, Redemption Date or Date of Conversion, as applicable, for such Debentures, unless, upon due presentation, payment of principal or delivery of amounts, securities or other property payable or deliverable hereunder and payment of any accrued and unpaid interest or other amounts payable hereunder is improperly withheld or refused.
- (b) Unless otherwise specifically provided in the terms of the Debentures, interest for any period of less than six months shall be computed on the basis of a 365-day year. Subject to Section 2.2(b) in respect of the method for calculating the amount of interest to be paid on the Debentures on the first Interest Payment Date in respect thereof, whenever interest is computed on a basis of a year (the “deemed year”) which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the Interest Act (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

2.9 Debentures to Rank *Pari Passu*

Each Debenture will rank *pari passu* with each other Debenture regardless of their actual date or terms of issue.

2.10 Payments of Amounts Due on Maturity

Except as may otherwise be provided herein, payments of amounts due upon maturity of the Debentures will be made in the following manner. The Corporation will establish and maintain with the Debenture Trustee a Maturity Account for the Debentures. The Maturity Account shall be maintained by and be subject to the control of the Debenture Trustee for the purposes of this Indenture. On or before 11:00 a.m., (Calgary time) on the Business Day immediately prior to the Maturity Date for Debentures outstanding from time to time under this Indenture, the Corporation

will deposit in the Maturity Account an amount sufficient to pay the cash amount payable in respect of such Debentures (including the principal amount together with any accrued and unpaid interest thereon less any tax required by law to be deducted or withheld), provided the Corporation may elect to satisfy this requirement by providing the Debenture Trustee with one or more certified cheque, or with funds by electronic transfer, for such amounts required under this Section 2.10 post-dated to the Maturity Date. The Debenture Trustee, on behalf of the Corporation, will pay to each holder entitled to receive payment the principal amount of and premium (if any) and accrued and unpaid interest on the Debenture, upon surrender of the Debenture at any branch of the Debenture Trustee designated for such purpose from time to time by the Corporation and the Debenture Trustee. The delivery of such funds to the Debenture Trustee for deposit to the Maturity Account will satisfy and discharge the liability of the Corporation for the Debentures to which the delivery of funds relates to the extent of the amount delivered (plus the amount of any tax deducted as aforesaid) and such Debentures will thereafter to that extent not be considered as outstanding under this Indenture and such holder will have no other right in regard thereto other than to receive out of the money so deposited or made available the amount to which such holder is entitled.

2.11 Payment of Interest

As interest becomes due on each Debenture (except at maturity, on conversion or on redemption, when interest will be paid upon surrender of such Debenture as set forth in this Indenture) the Corporation, either directly or through the Debenture Trustee or any agent of the Debenture Trustee, shall send or forward by prepaid ordinary mail, electronic transfer of funds or such other means as may be agreed to by the Debenture Trustee, payment of such interest (less any tax required to be withheld therefrom) to the order of the registered holder of such Debenture appearing on the registers maintained by the Debenture Trustee at the close of business on the tenth Business Day prior to the applicable Interest Payment Date and addressed to the holder at the holder's last address appearing on the register, unless such holder otherwise directs. If payment is made by cheque, such cheque shall be forwarded at least three Business Days prior to each date on which interest becomes due and if payment is made by other means (such as electronic transfer of funds, provided the Debenture Trustee must receive confirmation of receipt of funds prior to being able to wire funds to holders), such payment shall be made in a manner whereby the holder receives credit for such payment on the date such interest on such Debenture becomes due. The mailing of such cheque or the making of such payment by other means shall, to the extent of the sum represented thereby, plus the amount of any tax withheld as aforesaid, satisfy and discharge all liability for interest on such Debenture, unless in the case of payment by cheque, such cheque is not paid at par on presentation. In the event of non-receipt of any cheque for or other payment of interest by the Person to whom it is so sent as aforesaid, the Corporation or the Debenture Trustee will issue to such Person a replacement cheque or other payment for a like amount upon being furnished with such evidence of non-receipt as it shall reasonably require and upon being indemnified to its satisfaction. Notwithstanding the foregoing, if the Corporation is prevented by circumstances beyond its control (including, without limitation, any interruption in mail service) from making payment of any interest due on each Debenture in the manner provided above, the Corporation may make payment of such interest or make such interest available for payment in any other manner acceptable to the Debenture Trustee with the same effect as though payment had been made in the manner provided above.

2.12 Withholding Tax

The Corporation will be entitled to deduct and withhold any applicable taxes or similar charges (including interest, penalties or similar amounts in respect thereof) imposed or levied by or on behalf of the Canadian government or of any Province or territory thereof or any authority or agency therein or thereof having power to tax, including pursuant to the Tax Act, from any

payment to be made on or in connection with the Debentures and, provided that the Corporation forthwith remits such withheld amount to such government, authority or agency and files all required forms in respect thereof and, at the same time, provides copies of such remittance and filing to the Debenture Trustee and the relevant Debentureholder, the amount of any such deduction or withholding will be considered an amount paid in satisfaction of the Corporation's obligations under the Debentures and there is no obligation on the Corporation to gross-up amounts paid to a holder in respect of such deductions or withholdings. The Corporation shall provide the Debenture Trustee and the relevant Debentureholder with copies of receipts or other communications relating to the remittance of such withheld amount or the filing of such forms received from such government, authority or agency promptly after receipt thereof.

The Debenture Trustee shall have no obligation to verify any payments under the Tax Act or any provision of provincial, state, local or foreign tax law. The Debenture Trustee shall at all times be indemnified and held harmless by the Corporation from and against any personal liabilities of the Debenture Trustee incurred in connection with the failure of the Corporation or its agents, to report, remit or withhold taxes as required by the Tax Act or otherwise failing to comply with the Tax Act. This indemnification shall survive the resignation or removal of the Debenture Trustee and the termination of this Indenture solely to the extent that such liabilities have been incurred in connection with taxation years occurring during the term of this Indenture.

For greater certainty, it is acknowledged and agreed that under no circumstances will the Debenture Trustee, acting either as Debenture Trustee or paying agent, be responsible for any tax withholding which may be required in connection with the Debentures. It is further acknowledged and agreed that any tax withholding in connection with the Debentures will be done by CDS, in accordance with CDS's customary practices and procedures.

ARTICLE 3 REGISTRATION, TRANSFER, EXCHANGE AND OWNERSHIP

3.1 Fully Registered Debentures

- (a) With respect to the Debentures issuable as fully registered Debentures, the Corporation shall cause to be kept by and at the principal offices of the Debenture Trustee in Calgary, Alberta and by the Debenture Trustee or such other registrar as the Corporation, with the approval of the Debenture Trustee, may appoint at such other place or places, if any, as may be specified in the Debentures or as the Corporation may designate with the approval of the Debenture Trustee, a register in which shall be entered the names and addresses of the holders of fully registered Debentures and particulars of the Debentures held by them respectively and of all transfers of fully registered Debentures. Such registration shall be noted on the Debentures by the Debenture Trustee or other registrar unless a new Debenture shall be issued upon such transfer.
- (b) No transfer of a Fully Registered Debenture shall be valid unless made on such register referred to in Section 3.1(a) by the registered holder or such holder's executors, administrators or other legal representatives or an attorney duly appointed by an instrument in writing in form and execution satisfactory to the Debenture Trustee or other registrar upon surrender of the Debentures together with a duly executed form of transfer acceptable to the Debenture Trustee and upon compliance with such other reasonable requirements as the Debenture Trustee or other registrar may prescribe, nor unless the name of the transferee shall have been noted on the Debenture by the Debenture Trustee or other registrar.

3.2 Global Debentures

- (a) With respect to Debentures issuable in whole or in part as one or more Global Debentures, the Corporation shall cause to be kept by and at the principal offices of the Debenture Trustee in Calgary, Alberta and by the Debenture Trustee or such other registrar as the Corporation, with the approval of the Debenture Trustee, may appoint at such other place or places, if any, as the Corporation may designate with the approval of the Debenture Trustee, a register in which shall be entered the name and address of the holder of each such Global Debenture (being the Depository, or its nominee, for such Global Debenture) as holder thereof and particulars of the Global Debenture held by it, and of all transfers thereof. If any Debentures are at any time not Global Debentures, the provisions of Section 3.1 shall govern with respect to registrations and transfers of such Debentures.
- (b) Notwithstanding any other provision of this Indenture, a Global Debenture may not be transferred by the registered holder thereof and accordingly, no definitive certificates shall be issued to Beneficial Holders except in the following circumstances:
 - (i) Global Debentures may be transferred by a Depository to a nominee of such Depository or by a nominee of a Depository to such Depository or to another nominee of such Depository or by a Depository or its nominee to a successor Depository or its nominee;
 - (ii) Global Debentures may be transferred at any time after (i) the Depository for such Global Debentures or the Corporation has notified the Debenture Trustee that the Depository is unwilling or unable to continue as Depository for such Global Debentures, or (ii) the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a Depository under Section 2.3(b), provided in each case that at the time of such transfer the Corporation has not appointed a successor Depository for such Global Debentures;
 - (iii) Global Debentures may be transferred at any time after the Corporation has determined, in its sole discretion, to terminate the book-entry only registration system in respect of such Global Debentures and has communicated such determination to the Debenture Trustee in writing;
 - (iv) Global Debentures may be transferred at any time after the Debenture Trustee has determined that an Event of Default has occurred and is continuing with respect to the Debentures issued as a Global Debenture, provided that Beneficial Holders of the Debentures representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures advise the Depository in writing, through the Depository Participants, that the continuation of the book-entry only registration system for the Debentures is no longer in their best interest and also provided that at the time of such transfer the Debenture Trustee has not waived the Event of Default pursuant to Section 8.3;
 - (v) Global Debentures may be transferred if required by applicable law; or
 - (vi) Global Debentures may be transferred if the book-entry only registration system ceases to exist.

- (c) With respect to the Global Debentures, unless and until definitive certificates have been issued to Beneficial Holders of the Debentures pursuant to subsection 3.2(b):
 - (i) the Corporation and the Debenture Trustee may deal with the Depository for all purposes (including paying interest on the Debentures) as the sole holder of the Debentures and the authorized representative of the Beneficial Holders;
 - (ii) the rights of the Beneficial Holders of the Debentures shall be exercised only through the Depository and shall be limited to those established by law and agreements between such Beneficial Holders and the Depository or the Depository Participants;
 - (iii) the Depository will make book-entry transfers among the Depository Participants; and
 - (iv) whenever this Indenture requires or permits actions to be taken based upon instructions or directions of Debentureholders evidencing a specified percentage of the outstanding Debentures, the Depository shall be deemed to be counted in that percentage only to the extent that it has received instructions to such effect from the Beneficial Holders of the Debentures or the Depository Participants, and has delivered such instructions to the Debenture Trustee.
- (d) Whenever a notice or other communication is required to be provided to Debentureholders, unless and until definitive certificate(s) have been issued to Beneficial Holders of the Debentures pursuant to this Section 3.2, the Debenture Trustee shall provide all such notices and communications to the Depository and the Depository shall deliver such notices and communications to such Beneficial Holders in accordance with Applicable Securities Legislation. Upon the termination of the book-entry only registration system on the occurrence of one of the conditions specified in Section 3.2(b) with respect to the Debentures issued hereunder, the Debenture Trustee shall notify all applicable Depository Participants and Beneficial Holders, through the Depository, of the availability of definitive Debenture certificates. Upon surrender by the Depository of the certificate(s) representing the Global Debentures and receipt of new registration instructions from the Depository, the Debenture Trustee shall deliver the definitive Debenture certificates for such Debentures to the holders thereof in accordance with the new registration instructions and thereafter, the registration and transfer of such Debentures will be governed by Section 3.1 and the remaining Sections of this Article 3.

3.3 Transferee Entitled to Registration

The transferee of a Debenture shall be entitled, after the appropriate form of transfer is lodged with the Debenture Trustee or other registrar and upon compliance with all other conditions in that behalf required by this Indenture or by law, to be entered on the register as the owner of such Debenture free from all equities or rights of set-off or counterclaim between the Corporation and the transferor or any previous holder of such Debenture, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

3.4 No Notice of Trusts

Neither the Corporation nor the Debenture Trustee nor any registrar shall be bound to take notice of or see to the execution of any trust (other than that created by this Indenture) whether express,

implied or constructive, in respect of any Debenture, and may transfer the same on the direction of the Person registered as the holder thereof, whether named as trustee or otherwise, as though that Person were the beneficial owner thereof.

3.5 Registers Open for Inspection

The registers referred to in Sections 3.1 and 3.2 shall, during regular business hours of the Debenture Trustee, be open for inspection by the Corporation, the Debenture Trustee or any Debentureholder. Every registrar, including the Debenture Trustee, shall from time to time when requested so to do by the Corporation or by the Debenture Trustee, in writing, furnish the Corporation or the Debenture Trustee, as the case may be, with a list of names and addresses of holders of registered Debentures entered on the register kept by them and showing the principal amount and serial numbers of the Debentures held by each such holder, provided the Debenture Trustee shall be entitled to charge a reasonable fee to provide such a list.

3.6 Exchanges of Debentures

- (a) Subject to Section 3.7, Debentures in any authorized form or denomination, other than Global Debentures, may be exchanged for Debentures in any other authorized form or denomination, and date of maturity, bearing the same interest rate and of the same aggregate principal amount as the Debentures so exchanged.
- (b) In respect of exchanges of Debentures permitted by Section 3.6(a), Debentures may be exchanged only at the principal offices of the Debenture Trustee in Calgary, Alberta or at such other place or places, if any, as may be specified in the Debentures and at such other place or places as may from time to time be designated by the Corporation with the approval of the Debenture Trustee. Any Debentures tendered for exchange shall be surrendered to the Debenture Trustee. The Corporation shall execute and the Debenture Trustee shall certify all Debentures necessary to carry out exchanges as aforesaid. All Debentures surrendered for exchange shall be cancelled.
- (c) Debentures issued in exchange for Debentures which at the time of such issue have been selected or called for redemption at a later date shall be deemed to have been selected or called for redemption in the same manner and shall have noted thereon a statement to that effect.

3.7 Closing of Registers

- (a) Neither the Corporation nor the Debenture Trustee nor any registrar shall be required to:
 - (i) make transfers or exchanges or conversion of Fully Registered Debentures on any Interest Payment Date for such Debentures or during the ten preceding Business Days;
 - (ii) make transfers or exchanges of any Debentures on the day of any selection by the Debenture Trustee of Debentures to be redeemed or during the ten preceding Business Days; or
 - (iii) make transfers or exchanges of any Debentures which will have been selected or called for redemption unless upon due presentation thereof for redemption such Debentures shall not be redeemed;

provided that such transfer, exchange or conversion shall occur on the next Business Day after such 10 day period.

- (b) Subject to any restriction herein provided, the Corporation with the approval of the Debenture Trustee may at any time close any register for the Debentures, other than those kept at the principal offices of the Debenture Trustee in Calgary, Alberta, and transfer the registration of any Debentures registered thereon to another register (which may be an existing register) and thereafter such Debentures shall be deemed to be registered on such other register. Notice of such transfer shall be given to the holders of such Debentures.

3.8 Charges for Registration, Transfer and Exchange

For each Debenture exchanged, registered, transferred or discharged from registration, the Debenture Trustee or other registrar, except as otherwise herein provided, may make a reasonable charge for its services and in addition may charge a reasonable sum for each new Debenture issued, and payment of such charges and reimbursement of the Debenture Trustee or other registrar for any stamp taxes or governmental or other charges required to be paid shall be made by the party requesting such exchange, registration, transfer or discharge from registration as a condition precedent thereto. Notwithstanding the foregoing provisions, no charge shall be made to a Debentureholder hereunder:

- (a) for any exchange, registration, transfer or discharge from registration of any Debenture applied for within a period of two months from the date of the first delivery of the Debentures;
- (b) for any exchange of any interim or temporary Debenture or interim certificate that has been issued under Section 2.6 for a definitive Debenture;
- (c) for any exchange of a Global Debenture as contemplated in Section 3.2;
- (d) for any exchange of any Debenture resulting from a partial redemption under Section 4.1;
- (e) for any exchange of any Debenture resulting from a partial conversion under Section 6.4(d); or
- (f) for any exchange of any Debenture resulting from a partial purchase under Section 2.2(g).

3.9 Ownership of Debentures

- (a) Unless otherwise required by law, the Person in whose name any registered Debenture is registered shall for all the purposes of this Indenture be and be deemed to be the owner thereof and payment of or on account of the principal of and premium, if any, on such Debenture and interest thereon shall be made to such registered holder.
- (b) The Debenture Trustee shall not have any liability for:

- (i) any aspect of the records relating to the beneficial ownership of the Debentures held by a Depository or of the payments relating thereto; or
 - (ii) maintaining, supervising or reviewing any such records relating to the Debentures.
- (c) Beneficial Holders of Debentures:
- (i) may not have Debenture certificates registered in their name;
 - (ii) may not have physical certificates representing their interest in the Debentures;
 - (iii) may not be able to sell the Debentures to institutions required by law to hold certificates for securities they own; and
 - (iv) may be unable to pledge Debentures as security.
- (d) The registered holder for the time being of any registered Debenture shall be entitled to the principal, premium, if any, and/or interest evidenced by such instruments, respectively, free from all equities or rights of set-off or counterclaim between the Corporation and the original or any intermediate holder thereof and all persons may act accordingly and the receipt of any such registered holder for any such principal, premium or interest shall be a good discharge to the Corporation and/or the Debenture Trustee for the same and neither the Corporation nor the Debenture Trustee shall be bound to inquire into the title of any such registered holder.
- (e) Where Debentures are registered in more than one name, the principal, premium, if any, and interest from time to time payable in respect thereof may be paid to the order of all such holders, failing written instructions from them to the contrary, and the receipt of any one of such holders therefore shall be a valid discharge, to the Debenture Trustee, any registrar and to the Corporation.
- (f) In the case of the death of one or more joint holders of any Debenture the principal, premium, if any, and interest from time to time payable thereon may be paid to the order of the survivor or survivors of such registered holders and the receipt of any such survivor or survivors therefor shall be a valid discharge to the Debenture Trustee and any registrar and to the Corporation.

ARTICLE 4 REDEMPTION AND PURCHASE OF DEBENTURES AND CERTAIN PAYMENTS ON MATURITY

4.1 Partial Redemption

If less than all the Debentures for the time being outstanding are at any time to be redeemed, the Debentures to be so redeemed shall be selected by the Debenture Trustee on a *pro rata* basis to the nearest multiple of \$1,000 in accordance with the principal amount of the Debentures registered in the name of each holder, subject to the approval of the TSXV or such other exchange on which the Debentures are then listed, as may be required from time to time. No Debenture shall be redeemed in part unless the principal amount redeemed is \$1,000 or a multiple thereof. For this purpose, the Debenture Trustee may make, and from time to time vary, regulations with respect to the manner in which such Debentures may be drawn for redemption in

part and regulations so made shall be valid and binding upon all holders of such Debentures notwithstanding the fact that as a result thereof one or more of such Debentures may become subject to redemption in part only. In the event that one or more of such Debentures becomes subject to redemption in part only, upon surrender of any such Debentures for payment of the Redemption Price, together with interest accrued to but excluding the Redemption Date, the Corporation shall execute and the Debenture Trustee shall certify and deliver without charge to the holder thereof or upon the holder's order one or more new Debentures for the unredeemed part of the principal amount of the Debenture or Debentures so surrendered or, with respect to a Global Debenture, the Depository shall make notations on the Global Debenture of the principal amount thereof so redeemed. Unless the context otherwise requires, the terms "Debenture" or "Debentures" as used in this Article 4 shall be deemed to mean or include any part of the principal amount of any Debenture which in accordance with the foregoing provisions has become subject to redemption.

4.2 Notice of Redemption and Ability to Convert Prior to the Redemption Date

Notice of redemption (the "**Redemption Notice**") of Debentures shall be given to the holders of the Debentures so to be redeemed not more than 60 days nor less than 30 days prior to the date, which may be any time on or after June 15, 2014 and prior to the Maturity Date, fixed for redemption (the "**Redemption Date**") in the manner provided in Section 13.2. Every such notice shall specify the aggregate principal amount of Debentures called for redemption, the Redemption Date, the Redemption Price together with accrued and unpaid interest to but excluding the Redemption Date and the places of payment and shall state that interest upon the principal amount of Debentures called for redemption shall cease to accrue and be payable from and after the Redemption Date. In addition, unless all the outstanding Debentures are to be redeemed, the Redemption Notice shall specify:

- (a) the distinguishing letters and numbers of the registered Debentures which are to be redeemed (or of such thereof as are registered in the name of such Debentureholder);
- (b) in the case of a published notice, the distinguishing letters and numbers of the Debentures which are to be redeemed or, if such Debentures are selected *pro rata*, such particulars as may be sufficient to identify the Debentures so selected;
- (c) in the case of a Global Debenture, that the redemption will take place in such manner as may be agreed upon by the Depository, the Debenture Trustee and the Corporation; and
- (d) in all cases, the principal amounts of such Debentures or, if any such Debenture is to be redeemed in part only, the principal amount of such part.

In the event that all Debentures to be redeemed are registered Debentures, publication shall not be required.

For greater certainty, a holder may convert any or all of such holder's Debentures, in the manner as set forth in Article 6, at any time after a Redemption Notice has been given to the holders of Debentures up to, but not including, the Redemption Date specified in such Redemption Notice.

4.3 Debentures Due on Redemption Date

Notice having been given as aforesaid, all the Debentures so called for redemption shall thereupon be and become due and payable at the Redemption Price, together with accrued and unpaid interest to but excluding the Redemption Date, on the Redemption Date specified in such

notice, in the same manner and with the same effect as if it were the date of maturity specified in such Debentures, anything therein or herein to the contrary notwithstanding, and from and after such Redemption Date, if the monies necessary to redeem such Debentures shall have been deposited as provided in Section 4.4 and affidavits or other proof satisfactory to the Debenture Trustee as to the publication and/or mailing of such notices shall have been lodged with it, interest upon the Debentures shall cease. If any question shall arise as to whether any notice has been given as above provided and such deposit made, such question shall be decided by the Debenture Trustee whose decision shall be final and binding upon all parties in interest.

4.4 Deposit of Redemption Monies or Shares

Redemption of Debentures shall be provided for by the Corporation depositing with the Debenture Trustee or any paying agent to the order of the Debenture Trustee, on or before 11:00 a.m. (Calgary time) on the Business Day immediately prior to the Redemption Date specified in such notice, such sums of money as may be sufficient to pay the Redemption Price of the Debentures so called for redemption, plus accrued and unpaid interest up to but excluding the Redemption Date, provided the Corporation may elect to satisfy this requirement by providing the Debenture Trustee with one or more certified cheques or wire transfer for such amounts required under this Section 4.4 post-dated to the Redemption Date or by providing the Debenture Trustee with such funds through electronic transfer of funds on the Business Day immediately prior to the Redemption Date. The Corporation shall also deposit with the Debenture Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Debenture Trustee in connection with such redemption. Every such deposit shall be irrevocable. From the sums so deposited, or certificates so deposited, or both, the Debenture Trustee shall pay or cause to be paid, or issue or cause to be issued, to the holders of such Debentures so called for redemption, upon surrender of such Debentures, the Redemption Price and interest to which they are respectively entitled on redemption, less applicable withholding taxes, if any.

4.5 Failure to Surrender Debentures Called for Redemption

In case the holder of any Debenture so called for redemption shall fail on or before the Redemption Date to so surrender such holder's Debenture, or shall not within such time accept payment of the Redemption Price and accrued interest payable, or give such receipt therefor, if any, as the Debenture Trustee may require, such redemption monies may be set aside in trust, without interest, either in the deposit department of the Debenture Trustee or in a chartered bank, and such setting aside shall for all purposes be deemed a payment to the Debentureholder of the sum so set aside and, to that extent, the Debenture shall thereafter not be considered as outstanding hereunder and the Debentureholder shall have no other right except to receive payment out of the monies so paid and deposited, upon surrender and delivery up of such holder's Debenture of the Redemption Price of such Debenture plus any accrued and unpaid interest thereon to but excluding the Redemption Date. In the event that any money required to be deposited hereunder with the Debenture Trustee shall remain so deposited for a period of six years from the Redemption Date, then such monies together with any accumulated interest thereon or any distribution paid thereon, shall at the end of such period be paid over or delivered over by the Debenture Trustee or such depository or paying agent to the Corporation on its demand, and thereupon the Debenture Trustee shall not be responsible to Debentureholders for any amounts owing to them and subject to applicable law, thereafter the holder of a Debenture in respect of which such money was so repaid to the Corporation shall have no rights in respect thereof except to obtain payment of the money due from the Corporation, subject to any limitation period provided by the laws of the Province of Alberta.

4.6 Cancellation of Debentures Redeemed

Subject to the provisions of Sections 4.1 and 4.7 as to Debentures redeemed or purchased in part, all Debentures redeemed and paid under this Article 4 shall forthwith be delivered to the Debenture Trustee and cancelled and no Debentures shall be issued in substitution therefor.

4.7 Purchase of Debentures by the Corporation

The Corporation or an Affiliate may at any time and from time to time, purchase Debentures in the market (which shall include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or by private contract, at any price; provided, however, that if an Event of Default has occurred and is continuing, the Corporation and its Affiliates will not have the right to purchase Debentures by private contract. All Debentures so purchased will be delivered to the Debenture Trustee and shall be cancelled and no Debentures shall be issued in substitution therefor.

If, upon an invitation for tenders, more Debentures are tendered at the same lowest price that the Corporation or an Affiliate is prepared to accept, the Debentures to be purchased by the Corporation or by such Affiliate as shall be selected by the Debenture Trustee on a pro rata basis or in such other manner consented to by the TSXV or such other exchange on which the Debentures are then listed which the Debenture Trustee considers appropriate, from the Debentures tendered by each tendering Debentureholder who tendered at such lowest price. For this purpose the Debenture Trustee may make, and from time to time amend, regulations with respect to the manner in which Debentures may be so selected, and regulations so made shall be valid and binding upon all Debentureholders, notwithstanding the fact that as a result thereof one or more of such Debentures become subject to purchase in part only.

The holder of a Debenture of which a part only is purchased, upon surrender of such Debenture for payment, shall be entitled to receive, without expense to such holder, one or more new Debentures for the unpurchased part so surrendered, and the Debenture Trustee shall certify and deliver such new Debenture or Debentures upon receipt of the Debenture so surrendered or, with respect to a Global Debenture, the Depository shall make notations on the Global Debenture of the principal amount thereof so purchased.

4.8 Deposit of Maturity Monies

Payment on maturity of Debentures shall be provided for by the Corporation depositing with the Debenture Trustee or any paying agent to the order of the Debenture Trustee, on or before 11:00 a.m. (Calgary time) on the Business Day immediately prior to the Maturity Date such sums of money as may be sufficient to pay the principal amount of the Debentures, together with a sum of money sufficient to pay all accrued and unpaid interest thereon up to but excluding the Maturity Date, provided the Corporation may elect to satisfy this requirement by providing the Debenture Trustee with one or more certified cheques or with funds by electronic transfer, for such amounts required under this Section 4.8. The Corporation shall also deposit with the Debenture Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Debenture Trustee in connection therewith. Every such deposit shall be irrevocable. From the sums so deposited, the Debenture Trustee shall pay or cause to be paid to the holders of such Debentures, upon surrender of such Debentures, the principal and interest to which they are respectively entitled on the Maturity Date.

ARTICLE 5 SECURITY FOR AND SUBORDINATION OF DEBENTURES

5.1 Security Documents

To secure the due payment of all Debenture Indebtedness, and the payment and performance of all other obligations, indebtedness and liabilities of the Corporation hereunder and under the Debentures and all other Debenture Documents, the Corporation shall, and shall cause each of the Guarantors to, execute and deliver to the Debenture Trustee for the benefit of the Debenture Trustee and the Debentureholders, the Security Documents.

5.2 Guarantees

Notwithstanding anything to the contrary herein or in any Guarantee or other Debenture Document, the obligations of each Guarantor to guarantee the Debenture Indebtedness shall be, and shall be deemed to be, joint and several with each other Guarantor.

5.3 Registration of Security

The Corporation shall, and shall cause each of the Guarantors to, at the Corporation's expense, ensure that the Security Documents and all documents, caveats, security notices, financing statements and financing change statements in respect thereof, are promptly filed and re-filed and registered as often as may be required by applicable law or as may be necessary or desirable to perfect and preserve the Security Interests created by the Security Documents and to ensure that such Security Interests are first ranking, subject only to Permitted Encumbrances, and will promptly provide the Debenture Trustee with evidence (satisfactory to the Debenture Trustee) of such filing, registration and deposit after the making thereof. The Corporation shall, if and when requested to do so by the Debenture Trustee, furnish to the Debenture Trustee an opinion of Counsel to establish compliance with the provisions of this Section 5.3.

5.4 Permitted Dispositions of Secured Assets Before Default

Until an Event of Default has occurred, the Corporation and each Guarantor, without the consent of the Debenture Trustee, shall be entitled:

- (a) to transfer or sell any item of Secured Assets only as expressly permitted pursuant to the terms of this Indenture or a Security Document entered into in the form set forth as a Schedule to this Indenture;
- (b) in the ordinary course of business, to sell or lease (provided it registers and perfects any primary lease or conditional sale agreement in accordance with applicable law) any Secured Assets consisting of inventory; and
- (c) to sell, assign, transfer, abandon, surrender or otherwise dispose of free of the Security Interest constituted by the Security Documents any fixtures, equipment, machinery, tools, implements, apparatus, facilities or appliances, which have become worn out, unserviceable, obsolete, unsuitable or unnecessary in the conduct of its business or in the operation of any of the Secured Assets provided that there shall have been or shall be substituted for the same other fixtures, equipment, machinery, tools, implements, apparatus, facilities or appliances not necessarily of the same character but at least of equal utility at the date of such substitution or replacement (which forthwith shall become subject to the Security Interest of the Security Documents) of and to the extent that such replacement or substitution is necessary or desirable for the proper and efficient conduct of the business of the Corporation or any Guarantor (as applicable) or in the operation of the Secured Assets;

and the Debenture Trustee will, at the expense of the Corporation, execute and deliver from time to time releases and discharges necessary or required as advised by Counsel with respect to the foregoing Subsections. Except as specifically permitted above, the Corporation will not, and will ensure that the Guarantors do not, dispose of any of their respective property and assets to any Person.

5.5 Subordination of the Security of the Debentures

The Corporation covenants and agrees, and each holder of any Debenture, by the holder's acceptance thereof, likewise agrees, that the Security Interests constituted by the Security Documents may be postponed to the Senior Security, in each case, to the extent and in the manner set forth in an agreement entered into by the Debenture Trustee, a Senior Creditor and the Corporation in accordance with and subject to the terms of this Section 5.5 (a "**Subordination Agreement**").

A Subordination Agreement may contain terms that the Debenture Trustee determines to be appropriate, provided that in no event shall any Subordination Agreement contain any provision that would (a) impair the obligation of the Corporation, which is absolute and unconditional, to pay the holders of the Debentures the principal or, premium, if any, and interest on the Debentures, and all other amounts under the Debenture Documents, as and when the same shall become due and payable in accordance with their terms, nor shall anything therein prevent the Debenture Trustee or the holder of any Debenture from exercising all remedies otherwise available to it, except where the Senior Creditor has made a demand for payment of any Senior Indebtedness and has enforced all or any part of the Senior Security, and has in each case provided notice in writing thereof to the Corporation with a copy to the Debenture Trustee; or (b) restrict or impair the issuance of Shares or other securities similar in nature thereto upon conversion, redemption or otherwise pursuant to the terms of this Indenture, or the right of any holder of a Debenture thereto.

5.6 Authorization of Debentureholders to Debenture Trustee to Effect Subordination

Each holder of any Debentures, by his acceptance thereof, agrees to be bound by the provisions of any Subordination Agreement approved and entered into in accordance with Section 5.5, and subject to the provisions of Section 5.5, authorizes and directs the Debenture Trustee on such holder's behalf to take such actions as may be necessary or appropriate to execute, deliver and perform the obligations of the Debenture Trustee and the holders under a Subordination Agreement, and appoints the Debenture Trustee its attorney-in-fact for such purpose.

ARTICLE 6 CONVERSION OF DEBENTURES

6.1 Freely Tradable Shares

The Debentures issued are convertible into Freely Tradable Shares.

6.2 Notice of Expiry of Conversion Privilege

Notice of the expiry of the conversion privileges of the Debentures, shall be given by or on behalf of the Corporation, not more than 60 days and not less than 30 days prior to the date fixed for the Time of Expiry, in the manner provided in Section 13.2. Such notice shall state that the Debentures are convertible until the close of business on the Business Day immediately preceding the Time of Expiry.

6.3 Revival of Right to Convert

If the redemption of any Debenture called for redemption by the Corporation is not made or the payment of the purchase price of any Debenture which has been tendered in acceptance of a Debenture Offer by the Corporation to purchase Debentures is not made, in the case of a redemption upon due surrender of such Debenture or in the case of a Debenture Offer on the Change of Control Purchase Date, as the case may be, then, provided the Time of Expiry has not passed, the right to convert such Debentures shall revive and continue as if such Debenture had not been called for redemption or tendered in acceptance of the Corporation's Debenture Offer, respectively.

6.4 Manner of Exercise of Right to Convert

- (a) The holder of a Debenture desiring to convert such Debenture in whole or in part into Shares shall surrender such Debenture to the Debenture Trustee at its principal offices in Calgary, Alberta together with the conversion notice in the form attached hereto as Schedule C duly executed by the holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Debenture Trustee, exercising his right to convert such Debenture in accordance with the provisions of this Article 6; provided that with respect to a Global Debenture, the obligation to surrender a Debenture to the Debenture Trustee shall be satisfied if the Debenture Trustee makes notation on the Global Debenture of the principal amount thereof so converted and the Debenture Trustee is provided with all other documentation which it may request. Thereupon such Debentureholder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Debenture Trustee, his nominee(s) or assignee(s) shall be entitled to be entered in the books of the Corporation as at the Date of Conversion (or such later date as is specified in Section 6.4(b)) as the holder of the number of Shares into which such Debenture is convertible in accordance with the provisions of this Article 6 and, as soon as practicable thereafter, the Corporation shall: (i) deliver to such Debentureholder or, subject as aforesaid, his nominee(s) or assignee(s), a certificate or certificates for such Shares; and (ii) make or cause to be made any payment of interest to which such holder is entitled in accordance with Section 6.4(e) hereof or in respect of fractional Shares as provided in Section 6.6.
- (b) For the purposes of this Article, a Debenture shall be deemed to be surrendered for conversion on the date on which it is so surrendered when the register of the Debenture Trustee is open and in accordance with the provisions of this Article 6 or, in the case of a Global Debenture, on the date which the Debenture Trustee received notice of and all necessary documentation in respect of the exercise of the conversion rights and, in the case of a Debenture so surrendered by post or other means of transmission, on the date on which it is received by the Debenture Trustee at one of its offices specified in Section 6.4(a); provided that if a Debenture is surrendered for conversion on a day on which the register of Shares is closed the Person or Persons entitled to receive Shares shall become the holder or holders of record of such Shares as at the date on which such register is next reopened (in each case, the "**Date of Conversion**").
- (c) Any part, being \$1,000 or an integral multiple thereof, of a Debenture in a denomination in excess of \$1,000 may be converted as provided in this Article and

all references in this Indenture to conversion of Debentures shall be deemed to include conversion of such part.

- (d) Upon a holder of any Debenture exercising the right of conversion in respect of only a part of the Debenture and surrendering such Debenture to the Debenture Trustee, in accordance with Section 6.4(a), the Debenture Trustee shall cancel the same and shall without charge forthwith certify and deliver to the holder a new Debenture or Debentures in an aggregate principal amount equal to the unconverted part of the principal amount of the Debenture so surrendered or, with respect to a Global Debenture, the Debenture Trustee shall make notations on the Global Debenture of the principal amount thereof so converted.
- (e) The holder of a Debenture surrendered for conversion in accordance with this Section 6.4 shall be entitled to receive accrued and unpaid interest in respect thereof from the last Interest Payment Date to but excluding the Date of Conversion. The Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of shareholders of record on and after the Business Day immediately after the Date of Conversion or such later date as such holder shall become the holder of record of such Shares pursuant to Section 6.4(b), from which applicable date such Shares will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Shares.
- (f) In the event of a conversion of Debentures into Freely Tradable Shares where the holder is subject to withholding taxes, the Debenture Trustee, on a Written Direction of the Corporation but for the account of the holder, shall sell, or cause to be sold through the investment banks, brokers or dealers selected by the Corporation, out of the Freely Tradable Shares issued by the Corporation for this purpose, such number of Freely Tradable Shares that together with any cash payment in lieu of fractional Shares, if any, is sufficient to yield net proceeds (after payment of all costs) to cover the amount of taxes required to be withheld, and shall remit same on behalf of the Corporation to the proper tax authorities within the period of time prescribed for this purpose under applicable laws. Any amount of net proceeds (after payment of all costs) in excess of the amount required by applicable law to be withheld will be remitted to the Debentureholder.

6.5 Adjustment of Conversion Price

The Conversion Price in effect at any date shall be subject to adjustment from time to time as set forth below.

- (a) If and whenever at any time prior to the Time of Expiry the Corporation shall (i) subdivide or redivide the outstanding Shares into a greater number of shares, (ii) reduce, combine or consolidate the outstanding Shares into a smaller number of shares, or (iii) issue Shares or securities convertible into Shares to the holders of all or substantially all of the outstanding Shares by way of a dividend or distribution (other than the issue of Shares to holders of Shares who have elected to receive dividends or distributions in the form of Shares in lieu of cash dividends or cash distributions paid in the ordinary course on the Shares), the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Shares by way of a dividend or distribution, as the case may be, shall in the case of any of the events referred to in (i) and (iii) above be decreased in proportion to the number of outstanding Shares resulting from such subdivision, redivision, dividend or distribution, or shall, in the

case of any of the events referred to in (ii) above, be increased in proportion to the number of outstanding Shares resulting from such reduction, combination or consolidation. Such adjustment shall be made successively whenever any event referred to in this Section 6.5(a) shall occur. Any such issue of Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution for the purpose of calculating the number of outstanding Shares under subsections (b) and (c) of this Section 6.5. Upon any adjustment to the Conversion Price as set out in this Section 6.5(a), the number of Shares to be issued upon conversion shall, in the case of any of the events referred to in (i) or (iii) above, be increased in proportion to the number of outstanding Shares resulting from such subdivision, redivision, dividend or distribution, or shall, in the case of any of the events referred to in (ii) above, be decreased in proportion to the number of outstanding Shares resulting from such reduction, combination or consolidation.

- (b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Shares (other than for the issue of Shares to holders of Shares who have elected to receive dividends or distributions in the form of Shares in lieu of cash dividends or cash distributions paid in the ordinary course on the Shares) entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Shares (or securities convertible into Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price of a Share on such record date (other than pursuant to the distribution reinvestment plan of the Corporation), the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Shares outstanding on such record date plus a number of Shares equal to the quotient obtained by dividing the aggregate price of the total number of additional Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible securities so offered) by such Current Market Price per Share, and of which the denominator shall be the total number of Shares outstanding on such record date plus the total number of additional Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be readjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect if only the number of Shares (or securities convertible into Shares) actually issued upon the exercise of such options, rights or warrants were included in such fraction, as the case may be.
- (c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Shares of (i) shares of any class other than Shares and other than shares distributed to holders of Shares who have elected to receive dividends or distributions in the form of such shares in lieu of dividends or distributions paid in the ordinary course, (ii) rights, options or warrants (excluding rights, options or warrants entitling the holders thereof for a period of not more than 45 days to subscribe for or purchase Shares or securities convertible into Shares), (iii) evidences of its indebtedness, or (iv) assets (excluding dividends or distributions paid in the ordinary course) then, in each such case, the Conversion Price shall be adjusted

immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Shares outstanding on such record date multiplied by the Current Market Price per Share on such record date, less the fair market value (as determined by the Directors, with the approval of the Debenture Trustee, which determination shall be conclusive) of such shares or rights, options or warrants or evidences of indebtedness or assets so distributed, and of which the denominator shall be the total number of Shares outstanding on such record date multiplied by such Current Market Price per Share. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that such distribution is not so made, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon such shares or rights, options or warrants or evidences of indebtedness or assets actually distributed, as the case may be. In clause (iv) of this subsection (c) the term "dividends or distributions paid in the ordinary course" shall include the value of any securities or other property or assets distributed in lieu of cash dividends or distributions paid in the ordinary course at the option of shareholders.

- (d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Shares or a capital reorganization or change of the Corporation other than as described in Section 6.5(a) or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other Person or other entity or acquisition of the Corporation or other combination pursuant to which the Shares are converted or acquired for cash, securities or other property; or a sale, transfer or other disposition of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person or other entity or a liquidation, dissolution or winding-up of the Corporation, any holder of a Debenture who has not exercised its right of conversion prior to the effective date of such reclassification, capital reorganization, change, consolidation, amalgamation, arrangement, merger, acquisition, combination, sale, transfer, dispositions or liquidation, dissolution or winding-up, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Shares then sought to be acquired by it, the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such reclassification, capital reorganization, change, consolidation, amalgamation, arrangement, merger, acquisition, combination or to which such sale, transfer, disposition may be made or which holders of Shares receive pursuant to such liquidation, dissolution or winding-up, as the case may be, that such holder of a Debenture would have been entitled to receive on such reclassification, capital reorganization, change, consolidation, amalgamation, arrangement, merger, acquisition, combination, sale, transfer, dispositions or liquidation, dissolution or winding-up, if, on the record date or the effective date thereof, as the case may be, the holder had been the registered holder of the number of Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of the conversion right set forth in this Article 6. If determined appropriate by the Directors to give effect to or to evidence the provisions of this Section 6.5(d), the Corporation, its successor, or such purchasing Person or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, change, consolidation, amalgamation, arrangement, merger, acquisition, combination, sale, transfer, dispositions or liquidation, dissolution or winding-up or other similar transaction, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the holder of Debentures to the

end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any cash, shares or other securities or property to which a holder of Debentures is entitled on the exercise of its conversion rights thereafter. The Corporation shall give notice to the Debenture Trustee, and to the Debentureholders in the manner provided in Section 13.2, at least 30 days prior to the effective date of any transaction referred to in this Section 6.5(d) stating the consideration into which the Debentures will be convertible after the effective date of such transaction. Any indenture entered into between the Corporation and the Debenture Trustee pursuant to the provisions of this Section 6.5(d) shall be a supplemental indenture entered into pursuant to the provisions of Article 15. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Debenture Trustee shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 6.5(d) and which shall apply to successive reclassifications, capital reorganizations, changes, consolidations, amalgamations, arrangements, mergers, acquisitions, combinations, sales, transfers, dispositions and to any successive liquidation, dissolution or winding up or other similar transaction.

- (e) If any issuer bid made by the Corporation or any of its Subsidiaries for all or any portion of Common Shares shall expire, then, if the issuer bid shall require the payment to shareholders of consideration per Common Share having a fair market value (determined as provided below) that exceeds the Current Market Price per Common Share on the last date (the “**Expiration Date**”) tenders could have been made pursuant to such issuer bid (as it may be amended) (the last time at which such tenders could have been made on the Expiration Date is hereinafter sometimes called the “**Expiration Time**”), the Conversion Price shall be adjusted so that the same shall equal the rate determined by multiplying the Conversion Price in effect immediately preceding the close of business on the Expiration Date by a fraction of which (i) the denominator shall be the sum of (A) the fair market value of the aggregate consideration (the fair market value as determined by the Board of Directors, whose determinations shall be conclusive evidence of such fair market value and which shall be evidenced by an Officers’ Certificate delivered to the Trustee) payable to shareholders based on the acceptance (up to any maximum specified in the terms of the issuer bid) of all Common Shares validly tendered and not withdrawn as of the Expiration Time (the Common Shares deemed so accepted, up to any such maximum, being referred to as the “**Purchased Common Shares**”) and (B) the product of the number of Common Shares outstanding (less any Purchased Common Shares) at the Expiration Time and the Current Market Price per Common Share on the Expiration Date and (ii) the numerator of which shall be the product of the number of Common Shares outstanding (including Purchased Common Shares) at the Expiration Time multiplied by the Current Market Price per Common Share on the Expiration Date, such adjustment to become effective immediately preceding the opening of business on the day following the Expiration Date. In the event that the Corporation is obligated to purchase Common Shares pursuant to any such issuer bid, but the Corporation is permanently prevented by applicable law from effecting any or all such purchases or any or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would have been in effect based upon the number of Common Shares actually purchased, if any. If the application of this Section 6.5(e) to any issuer bid would result in a decrease in the Conversion Price, no adjustment shall be made for such issuer bid under this Section 6.5(e).

For the purposes of this Section 6.5(e), the term “issuer bid” shall mean an issuer bid under Applicable Securities Legislation (other than an issuer bid which is exempt from the requirements of Part 2 of MI 62-104) or a take-over bid (other than a take-over bid which is exempt from the requirements of Part 2 of MI 62-104) under Applicable Securities Legislation by a Subsidiary of the Corporation for the Common Shares and all references to “purchasers” of Common Shares in issuer bids (and all similar references) shall mean and include the purchase of Common Shares in issuer bids and all referenced to “tendered Common Shares” (and all similar references) shall mean and include Common Shares tendered in issuer bids.

- (f) In any case in which this Section 6.5 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the holder of any Debenture converted after such record date and before the occurrence of such event the additional Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder’s right to receive such additional Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Shares declared in favour of holders of record of Shares on and after the Date of Conversion or such later date as such holder would, but for the provisions of this Section 6.5(f), have become the holder of record of such additional Shares pursuant to Section 6.4(b).
- (g) The adjustments provided for in this Section 6.5 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, mergers, arrangements, amalgamations, distributions, issues or other events resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1 % in the Conversion Price then in effect; provided however, that any adjustments which by reason of this Section 6.5(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (h) For the purpose of calculating the number of Shares outstanding, Shares owned by or for the benefit of the Corporation shall not be counted.
- (i) In the event of any question arising with respect to the adjustments provided in this Section 6.5, such question shall be conclusively determined by a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Debenture Trustee (who may be the auditors of the Corporation); such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation, the Debenture Trustee, and the Debentureholders.
- (j) In case the Corporation shall take any action affecting the Shares other than action described in this Section 6.5, which in the opinion of the Directors, would materially affect the rights of Debentureholders, the Conversion Price shall be adjusted in such manner and at such time, by action of the Directors, subject to the prior written consent of the TSXV (or, if the Debentures are not listed thereon, on such other exchange on which the Debentures are then listed), as the Directors in their sole discretion may determine to be equitable in the circumstances. Failure of the

Directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.

- (k) Subject to the prior written consent of the TSXV or such other exchange on which the Debentures are then listed, no adjustment in the Conversion Price shall be made in respect of any event described in Sections 6.5(a), 6.5(b) or 6.5(c) other than the events described in 6.5(a)(i) or 6.5(a)(ii) if the holders of the Debentures are entitled to participate in such event on the same terms *mutatis mutandis* as if they had converted their Debentures prior to the effective date or record date, as the case may be, of such event.
- (l) Except as stated above in this Section 6.5, no adjustment will be made in the Conversion Price for any Debentures as a result of the issuance of Shares at less than the Current Market Price for such Shares on the date of issuance or the then applicable Conversion Price.

6.6 No Requirement to Issue Fractional Shares

The Corporation shall not be required to issue fractional Shares upon the conversion of Debentures pursuant to this Article. If more than one Debenture shall be surrendered for conversion at one time by the same holder, the number of whole Shares issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of such Debentures to be converted. If any fractional interest in a Share would, except for the provisions of this Section, be deliverable upon the conversion of any principal amount of Debentures, the Corporation shall, in lieu of delivering any certificate representing such fractional interest, make a cash payment to the holder of such Debenture of an amount equal to the fractional interest which would have been issuable multiplied by the Current Market Price on the Date of Conversion of such fractional interest (less applicable withholding taxes, if any).

6.7 Corporation to Reserve Shares

The Corporation covenants with the Debenture Trustee that it will at all times reserve and keep available out of its authorized Shares, solely for the purpose of issue upon conversion of Debentures as provided in this Article 6, and conditionally allot to Debentureholders who may exercise their conversion rights hereunder, such number of Shares as shall then be issuable upon the conversion of all outstanding Debentures. The Corporation covenants with the Debenture Trustee that all Shares which shall be so issuable shall be duly and validly issued as fully-paid, non-assessable and Freely Tradable.

6.8 Cancellation of Converted Debentures

Subject to the provisions of Section 6.4 as to Debentures converted in part, all Debentures converted in whole or in part under the provisions of this Article shall be forthwith delivered to and cancelled by the Debenture Trustee and no Debenture shall be issued in substitution therefor.

6.9 Certificate as to Adjustment

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 6.5, deliver an Officer's Certificate to the Debenture Trustee specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the amount of the adjustment specified therein shall be verified by an opinion of a firm of nationally

recognized chartered accountants appointed by the Corporation and acceptable to the Debenture Trustee (who may be the auditors of the Corporation) and shall be conclusive and binding on all parties in interest. When so approved, the Corporation shall, except in respect of any subdivision, redivision, reduction, combination or consolidation of the Shares, forthwith give notice to the Debentureholders in the manner provided in Section 13.2 specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price.

6.10 Notice of Special Matters

The Corporation covenants with the Debenture Trustee that so long as any Debenture remains outstanding, it will give notice to the Debenture Trustee, and to the Debentureholders in the manner provided in Section 13.2, of its intention to fix a record date for any event referred to in Section 6.5(a), 6.5(b) or 6.5(c) (other than the subdivision, redivision, reduction, combination or consolidation of its Shares) which may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than fourteen (14) days in each case prior to such applicable record date.

6.11 Protection of Debenture Trustee

Subject to Section 14.3, the Debenture Trustee:

- (a) shall not at any time be under any duty or responsibility to any Debentureholder to determine whether any facts exist which may require any adjustment in the Conversion Price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;
- (b) shall not be accountable with respect to the validity or value (or the kind or amount) of any Shares or other securities or property which may at any time be issued or delivered upon the conversion of any Debenture;
- (c) shall not be responsible for any failure of the Corporation to make any cash payment or to issue, transfer or deliver Shares or Share certificates upon the surrender of any Debenture for the purpose of conversion, or to comply with any of the covenants contained in this Article; and
- (d) shall be entitled to act and rely on any adjustment calculation of the Corporation.

6.12 Payment of Cash in Lieu of Shares

Upon conversion, the Corporation may offer and the converting holder may agree to the delivery of cash for all or a portion of the Debentures surrendered in lieu of Shares.

6.13 Down Round Financing

If at any time prior to the maturity, redemption or conversion of any of the Debentures, the Corporation proposes to sell, announces the offering of, or to enters into any agreement or understanding to issue, sell or exchange any securities, Common Shares, convertible debt or securities exchangeable or convertible into Common Shares (other than for purposes of employee stock options or to satisfy existing instruments already issued as at the date hereof) (the “**Down Round Financing**”) such that the price per equity security, or the conversion price of any

convertible security (collectively, the “**Down Round Price**”), is less than the Conversion Price, the holders of the Debentures shall have the option to :

- (a) convert the Debentures into Common Shares as part of the Down Round Financing at a conversion price equal to the Down Round Price;
- (b) at the closing of the Down Round Financing, deem the Debentures immediately due and payable and be paid in cash the full amount of the principal, a premium equal to 5% of the principal and all interest owing on the Debentures, including accrued interest to the date of the closing of the Down Round Financing; or
- (c) continue to hold the Debentures unamended pursuant to the original terms of the Debentures.

ARTICLE 7 COVENANTS OF THE CORPORATION

The Corporation hereby covenants and agrees with the Debenture Trustee for the benefit of the Debenture Trustee and the Debentureholders, that so long as any Debentures remain outstanding:

7.1 To Pay Principal, Premium (if any) and Interest

The Corporation will duly and punctually pay or cause to be paid to every Debentureholder the principal of, premium (if any) and interest accrued on the Debentures of which it is the holder on the dates, at the places and in the manner mentioned herein and in the Debentures.

7.2 To Pay Debenture Trustee’s Remuneration

The Corporation will pay the Debenture Trustee reasonable remuneration for its services as Debenture Trustee hereunder and will repay to the Debenture Trustee on demand all monies which shall have been paid by the Debenture Trustee in connection with the execution of the trusts hereby created and such monies including the Debenture Trustee’s remuneration, shall be payable out of any funds coming into the possession of the Debenture Trustee in priority to payment of any principal of the Debentures or interest thereon. Any amount due under this Section and unpaid thirty days after written request for such payment shall bear interest from the expiration of such thirty days at a rate per annum equal to the then rate charged by the Debenture Trustee under similar indentures from time to time, payable on demand.

Such remuneration shall continue to be payable until the trusts hereof be finally wound up and whether or not the trusts of this Indenture shall be in the course of administration by or under the direction of a court of competent jurisdiction.

7.3 To Give Notice of Default

The Corporation shall immediately notify the Debenture Trustee in writing upon obtaining knowledge of any Event of Default hereunder.

7.4 Preservation of Existence, etc.

Subject to the express provisions hereof, the Corporation will carry on and conduct its activities, and cause its Subsidiaries to carry on and conduct their businesses, in a proper, efficient and business-like manner and in accordance with good business practices; and, subject to the express provisions hereof and it will do or cause to be done all things necessary to preserve and keep in full force and effect the existence and rights of each entity of the Family Memorials Group.

The Corporation shall, at all times, own, beneficially and of record, all of the shares and other equity interests and securities in the capital of each of the Guarantors, such that each remains a wholly-owned Subsidiary of the Corporation. In the event that the Corporation wishes to acquire or establish any Subsidiary in addition to Barber, Grajack, Somerville and Verduyn (which the Corporation hereby confirms are the only Subsidiaries of the Corporation as of the date of this Indenture), the Corporation shall give notice of such event to the Debenture Trustee prior to the acquisition or establishment thereof, and shall, within fifteen (15) days of the acquisition or establishment of such Subsidiary: (a) cause such Subsidiary to grant in favour of the Debenture Trustee a guarantee of the Debenture Indebtedness and security agreements granting a first priority Security Interest (subject only to Permitted Encumbrances) over all of its present and-after acquired real and personal property (each of which shall be a Security Document for the purposes hereof), whereupon such Subsidiary shall be deemed to be a Guarantor for all purposes hereunder; and (b) provide to the Debenture Trustee an opinion in respect of such Guarantor and the Security Interests so granted by it satisfactory to the Debenture Trustee.

7.5 Keeping of Books

The Corporation will keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation and its Subsidiaries in accordance with generally accepted accounting principles.

7.6 Annual certificate of Compliance

The Corporation shall deliver to the Debenture Trustee, within 120 days after the end of each calendar year (and at any reasonable time upon demand by the Debenture Trustee), an Officer's Certificate as to the knowledge of such Director or an authorized officer of the Corporation who executes the Officer's Certificate, of the Corporation's compliance with all conditions and covenants of this Indenture certifying that after reasonable investigation and inquiry, the Corporation has complied with all covenants, conditions or other requirements contained in this Indenture, the non-compliance with which could, with the giving of notice, lapse of time or otherwise, constitute an Event of Default hereunder, or if such is not the case, setting forth with reasonable particulars the circumstances of any failure to comply and any steps taken or proposed to be taken to remedy such Event of Default.

7.7 No Dividend or Distributions on Shares if Event of Default

The Corporation shall not declare or make any dividend or distribution to the holders of its issued and outstanding Shares after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

7.8 Performance of Covenants by Debenture Trustee

If the Corporation shall fail to perform any of its covenants contained in this Indenture, the Debenture Trustee may notify the Debentureholders of such failure on the part of the Corporation or may itself perform any of the covenants capable of being performed by it, but (subject to Sections 8.2 and 14.3) shall be under no obligation to do so or to notify the Debentureholders. All sums so expended or advanced by the Debenture Trustee shall be repayable as provided in Section 7.2. No such performance, expenditure or advance by the Debenture Trustee shall be deemed to relieve the Corporation of any default hereunder.

7.9 Maintain Listing

The Corporation shall use commercially reasonable efforts to ensure that the Shares and the Debentures are listed and posted for trading on the TSXV, to maintain such listing and posting for trading of the Shares and the Debentures on the TSXV, and to maintain the Corporation's status as a "reporting issuer" not in default under Applicable Securities Legislation.

7.10 Further Instruments and Acts.

Upon request of the Debenture Trustee, the Corporation will, and will cause each of the Guarantors to, execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

7.11 Stay, Extension and Usury Laws.

The Corporation covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Corporation from paying all or any portion of the principal of or accrued but unpaid interest on the Debentures as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture, and the Corporation (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Debenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

7.12 Use of Funds.

The Corporation shall only use the net proceeds from the issuance of the Debentures as set forth in the Prospectus and for no other purpose whatsoever.

7.13 Restriction on Debt Incurrence and Negative Pledge.

The Corporation shall not, and shall not permit its Subsidiaries to:

- (a) incur any Debt, other than Permitted Debt; or
- (b) create, assume or permit to exist any Security Interests on any of its property, undertaking or assets, other than Permitted Encumbrances.

7.14 Insurance

The Corporation will, and will cause each Guarantor to, maintain in full force and effect such policies of insurance, including public liability and property damage insurance, in such amounts issued by insurers of recognized standing covering its properties and operations as are customarily maintained by Persons engaged in the same or similar business in the localities where its properties and operations are located and will provide to the Debenture Trustee annually confirmation of such insurance policies including a statement that the loss payee is the Debenture Trustee.

7.15 Covenants as to Security

The Corporation will, and will cause each Guarantor to:

- (a) ensure that each of the Security Documents will at all times constitute valid and perfected first ranking security on all the Secured Assets, subject only to

Permitted Encumbrances, and at all times take all actions necessary or desirable to create, perfect and maintain the Security Interests granted pursuant to the Security Documents as perfected first ranking security over the Secured Assets, subject only to Permitted Encumbrances;

- (b) at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such acts, deeds, mortgages, hypothecs, transfers, assignments and assurances in law (including consents, approvals or waivers from third parties under applicable documents or applicable legislation) as may be necessary or desirable to ensure that the Debenture Trustee (for itself and the Debentureholders) has a first priority (subject only to Permitted Encumbrances) and perfected Security Interest in all of the Corporation's and each Guarantor's present and after-acquired real and personal property;
- (c) cause all necessary and proper steps to be taken diligently to protect and defend the Secured Assets and the proceeds thereof against any adverse claims or demands, including without limitation, the employment or use of counsel for the prosecution or defence of litigation and the contest, settlement, release or discharge of any such claim or demand; and
- (d) if the Security Interests created by the Security Documents shall have become enforceable and the Debenture Trustee shall have become bound to enforce or has commenced enforcing the same, it shall, and shall cause each Guarantor to, from time to time execute and do all such assurances and things as the Debenture Trustee may reasonably require for facilitating the realization of the Security Interests created by the Security Documents and for exercising all the powers, authorities and discretions conferred upon the Debenture Trustee under this Indenture and any other Debenture Document and for confirming to any purchaser of the Secured Assets, whether sold by the Debenture Trustee hereunder or by judicial proceedings, the title to the Secured Assets so sold, and will give all notices and directions as the Debenture Trustee may consider expedient.

ARTICLE 8 DEFAULT

8.1 Events of Default

Each of the following events constitutes, and is herein sometimes referred to as, an "Event of Default":

- (a) failure for 5 days to pay interest on the Debentures when due;
- (b) failure to pay principal or premium, if any, on the Debentures when due whether at maturity, upon redemption, by declaration or otherwise;
- (c) default in the delivery, when due, of any Shares or other consideration payable on conversion with respect to the Debentures which default continues for 5 days;
- (d) default in the observance or performance of any covenant or condition of this Indenture, any Debenture or other Debenture Document by the Corporation or any Guarantor which remains unremedied for a period of 30 days after notice in writing has been given by the Debenture Trustee or from holders of not less than 25% in

aggregate principal amount of the Debentures to the Corporation specifying such default and requiring the Corporation or such Guarantor to remedy such default;

- (e) if a decree or order of a Court having jurisdiction is entered adjudging the Corporation or any Guarantor a bankrupt or insolvent under the Bankruptcy and Insolvency Act (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Corporation or any Guarantor, or appointing a Receiver of, or of any substantial part of, the property of the Corporation or any Guarantor or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 60 days;
- (f) if the Corporation or any Guarantor institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the Bankruptcy and Insolvency Act (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a Receiver of, or of any substantial part of, the property of the Corporation or any Guarantor or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;
- (g) if a resolution is passed for the winding-up or liquidation of the Corporation or any Guarantor except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 11.1 are duly observed and performed;
- (h) if, after the date of this Indenture, any proceedings with respect to the Corporation or any Guarantor are taken with respect to a compromise or arrangement, with respect to creditors of the Corporation or any Guarantor generally, under the applicable legislation of any jurisdiction;
- (i) if and for so long as any Senior Indebtedness is made available to the Corporation or any Subsidiary of the Corporation, an event of default has occurred and is continuing thereunder or any demand for payment is made by or on behalf of the Senior Creditor thereunder;
- (j) any one or more of the Debenture Documents ceases to be in full force and effect or if any Security Document ceases to constitute a valid and perfected first-priority Security Interest (subject only to Permitted Encumbrances) upon all the Secured Assets it purports to charge or encumber, in favour of the Indenture Trustee for the benefit of the Indenture Trustee and the Debentureholders;
- (k) this Indenture, any Debenture or any other Debenture Document shall for any reason, or is claimed by the Corporation or any Guarantor to, cease in whole or in any part to be a legal, valid, binding and enforceable obligation of the Corporation or such Guarantor;
- (l) any representation or warranty given by the Corporation or any Guarantor in this Indenture, any Debenture or any other Debenture Document shall prove to be incorrect or misleading in any material respect as at the date on which it was made and, if the circumstances giving rise to the incorrect or misleading representation or warranty are capable of modification or rectification (such that, thereafter, the representation or warranty would be correct and not misleading), the representation or warranty remains incorrect or misleading at the end of a period of 15 days from

the date the Corporation or such Guarantor becomes aware of such incorrect or misleading misrepresentation;

- (m) if an event of default occurs or exists under any indenture, agreement or other instrument evidencing or governing indebtedness for borrowed money of the Corporation or any Subsidiary of the Corporation and as a result of such event of default (i) indebtedness for borrowed money thereunder in excess of \$100,000 (or the equivalent amount in any other currency) has become due and payable before the date it would otherwise have been due and payable and (ii) the holders of such indebtedness are entitled to commence, and have commenced, the enforcement of security they hold for such indebtedness (if any) or the exercise of any other creditors' remedies to collect such indebtedness;
- (n) a final judgment or decree for the payment of money in excess of \$100,000 individually or in the aggregate is rendered against the Corporation or any Guarantor by a Court having jurisdiction; or
- (o) if the Corporation ceases to carry on business.

In each and every such event the Debenture Trustee may, in its discretion, but subject to the provisions of this Section, and shall, upon receipt of a request in writing signed by the holders of not less than 25% in principal amount of the Debentures then outstanding, subject to the provisions of Section 8.3, by notice in writing to the Corporation declare the principal of and interest on all Debentures then outstanding and all other monies outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Debenture Trustee (provided that upon the occurrence of an Event of Default specified in Sections 8.1(e), (f), (g) or (h), all Debenture Indebtedness hereunder shall automatically become due and payable without any requirement that notice be given to the Corporation), and the Corporation shall forthwith pay to the Debenture Trustee for the benefit of the Debentureholders such principal (and premium, if any), accrued and unpaid interest and interest on amounts in default on such Debentures (and, where such a declaration is based upon a voluntary winding-up or liquidation of the Corporation, the premium, if any, on the Debentures then outstanding which would have been payable upon the redemption thereof by the Corporation on the date of such declaration) and all other monies outstanding hereunder, together with subsequent interest at the rate borne by the Debentures on such principal (and premium, if any), interest and such other monies from the date of such declaration until payment is received by the Debenture Trustee, such subsequent interest to be payable at the times and places and in the monies mentioned in and according to the tenor of the Debentures. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder and any monies so received by the Debenture Trustee shall be applied in the manner provided in Section 8.6.

8.2 Notice of Events of Default

If an Event of Default shall occur and be continuing the Debenture Trustee shall, within 30 days after it receives written notice of the occurrence of such Event of Default, give notice of such Event of Default to the Debentureholders in the manner provided in Section 13.2, provided that notwithstanding the foregoing, unless the Debenture Trustee shall have been requested to do so by the holders of at least 25% of the principal amount of the Debentures then outstanding, the Debenture Trustee shall not be required to give such notice if the Debenture Trustee in good faith shall have determined that the withholding of such notice is in the best interests of the Debentureholders and shall have so advised the Corporation in writing.

When notice of the occurrence of an Event of Default has been given and the Event of Default is thereafter cured, notice that the Event of Default is no longer continuing shall be given by the Debenture Trustee to the Debentureholders within 15 days after the Debenture Trustee becomes aware the Event of Default has been cured.

8.3 Waiver of Default

Upon the happening of any Event of Default hereunder:

- (a) the holders of the Debentures shall have the power (in addition to the powers exercisable by Extraordinary Resolution as hereinafter provided) by requisition in writing by the holders of at least 66 $\frac{2}{3}$ % of the principal amount of Debentures then outstanding, to instruct the Debenture Trustee to waive any Event of Default and to cancel any declaration made by the Debenture Trustee pursuant to Section 8.1 and the Debenture Trustee shall thereupon waive the Event of Default and cancel such declaration, or either, upon such terms and conditions as shall be prescribed in such requisition; and
- (b) the Debenture Trustee, so long as it has not become bound to declare the principal and interest on the Debentures then outstanding to be due and payable, or to obtain or enforce payment of the same, shall have power to waive any Event of Default if, in the Debenture Trustee's opinion, the same shall have been cured or adequate satisfaction made therefor, and in such event to cancel any such declaration theretofore made by the Debenture Trustee in the exercise of its discretion, upon such terms and conditions as the Debenture Trustee may deem advisable.

No such act or omission either of the Debenture Trustee or of the Debentureholders shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

8.4 Enforcement by the Debenture Trustee

- (a) Subject to the provisions of Section 8.3 and to the provisions of any Extraordinary Resolution that may be passed by the Debentureholders and to the provisions of this Section, if the Corporation shall fail to pay to the Debenture Trustee, forthwith after the same shall have been declared to be due and payable under Section 8.1, the principal of and premium (if any) and interest on all Debentures then outstanding, together with any other amounts due hereunder, the Debenture Trustee may in its discretion and shall upon receipt of a request in writing signed by the holders of not less than 25% in principal amount of the Debentures then outstanding and upon being funded and indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed in its name as trustee hereunder to obtain or enforce payment of such principal of and premium (if any) and interest on all the Debentures then outstanding together with any other amounts due hereunder by such proceedings authorized by this Indenture or any other Debenture Document or by law or equity as the Debenture Trustee in such request shall have been directed to take, or if such request contains no such direction, or if the Debenture Trustee shall act without such request, then by such proceedings authorized by this Indenture or by suit at law or in equity as the Debenture Trustee shall deem expedient.
- (b) The Debenture Trustee shall be entitled and empowered, either in its own name or as trustee of an express trust, or as attorney-in-fact for the holders of the Debentures, or in any one or more of such capacities, to file such proof of debt, amendment of proof

of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Debenture Trustee and of the holders of the Debentures allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or the Guarantors or their respective creditors or relative to or affecting their respective property. The Debenture Trustee is hereby irrevocably appointed (and the successive respective holders of the Debentures by taking and holding the same shall be conclusively deemed to have so appointed the Debenture Trustee) the true and lawful attorney of the respective holders of the Debentures with authority to make and file in the respective names of the holders of the Debentures or on behalf of the holders of the Debentures as a class, subject to deduction from any such claims of the amounts of any claims filed by any of the holders of the Debentures themselves, any proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings and to receive payment of any sums becoming distributable on account thereof, and to execute any such other papers and documents and to do and perform any and all such acts and things for and on behalf of such holders of the Debentures, as may be necessary or advisable in the opinion of the Debenture Trustee, in order to have the respective claims of the Debenture Trustee and of the holders of the Debentures against the Corporation or the Guarantors or their respective property allowed in any such proceeding, and to receive payment of or on account of such claims; provided, however, that subject to Section 8.3, nothing contained in this Indenture shall be deemed to give to the Debenture Trustee, unless so authorized by Extraordinary Resolution, any right to accept or consent to any plan of reorganization or otherwise by action of any character in such proceeding to waive or change in any way any right of any Debentureholder.

- (c) The Debenture Trustee shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Debentureholders.
- (d) All rights of action hereunder may be enforced by the Debenture Trustee without the possession of any of the Debentures or the production thereof at trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Debenture Trustee shall be brought in the name of the Debenture Trustee as trustee of an express trust, and any recovery of judgment shall be for the rateable benefit of the holders of the Debentures subject to the provisions of this Indenture. In any proceeding brought by the Debenture Trustee (and also any proceeding in which a declaratory judgment of a court may be sought as to the interpretation or construction of any provision of this Indenture, to which the Debenture Trustee shall be a party) the Debenture Trustee shall be held to represent all the holders of the Debentures, and it shall not be necessary to make any holders of the Debentures parties to any such proceeding.
- (e) If the Debenture Trustee has become entitled to enforce the Security Interest constituted by the Security Documents, in addition to any right or remedy arising under the Security Documents or pursuant to applicable laws:
 - (i) the Debenture Trustee, by itself, its officers, its agents or its attorneys, may, in its discretion, and either with or without notice as it in its absolute discretion determines, enter into and upon and take possession of the Secured Assets with full power to exclude the Corporation and the Guarantors and additionally shall have full power and authority:

- (A) to carry on, manage and conduct the business operations of the Corporation and the Guarantors relating to the Secured Assets and to borrow money in its own name or advance its own monies for the purpose of the conduct of such business operations, the maintenance and preservation of the Secured Assets or any part thereof, the making of such replacements of and additions to the Secured Assets as the Debenture Trustee shall deem desirable, and the payment of taxes, wages and other charges ranking in priority to the Security Interest constituted by the Security Documents and of current operating expenses incurred not more than 45 Business Days prior to such taking of possession, and monies so borrowed or advanced shall be repaid by the Corporation on demand and until repaid shall (with interest thereon at the rate of 10% per annum) be secured by the Security Interest constituted by the Security Documents in priority to sums otherwise secured thereby; and
 - (B) to receive and give notifications of and receipts for the revenues, incomes, issues and profits in respect of the Secured Assets and to pay therefrom the reasonable costs, charges and expenses of the Debenture Trustee incurred in connection with carrying on the said business operations, and all taxes, assessments and other charges against such property ranking in priority to the Security Interest constituted by the Security Documents or the payment of which may be necessary to preserve such property, and to apply the remainder of the monies so received in the same manner as if the same arose from a sale or realization of such property. If so requested by the holders of asset less than 66⅔ % in principal amount of the Debentures then outstanding, the Debenture Trustee and such agents and attorneys shall return such business and property to the Corporation and the Guarantors without prejudice to the rights of the Debenture Trustee and the Debentureholders hereunder with respect to the same Event of Default (if not then waived or remedied) or any other subsequent Event of Default, and in such event, the balance of income received by the Debenture Trustee pursuant hereto, after payment in full of all amounts due to or property payable to the Debenture Trustee hereunder, shall be returned to the Corporation and the Guarantors and the Security Interest constituted by the Security Documents shall no longer be deemed to have become enforceable by reason of the Event of Default which theretofore existed, but the rights arising out of the same Event of Default (if not then waived or remedies) or any other subsequent Event of Default shall not be affected thereby;
- (ii) the Debenture Trustee, either after entry as aforesaid or after other entries by itself or its agents, or without any entry, may in its discretion sell or dispose of the Secured Assets either as a whole or in separate parcels (to the extent permitted by applicable legislation):
- (A) by private contract upon notice to the Corporation given prior thereto of such length as the Debenture Trustee may deem proper; or
 - (B) at public auction or by public tender, having first given such notice of the time and place of such sale to the Corporation and otherwise as the Debenture Trustee may deem proper.

The Debenture Trustee may make any such sale either for cash or upon credit and upon such reasonable conditions as to upset or reserve bid or price and terms of payment as it may deem proper, rescind or vary any contract or sale that may have been entered into and re-sell with or under any of the powers conferred herein, adjourn such sale from time to time, and execute and deliver to the purchaser or purchasers of the said property or any part thereof good and sufficient deed or deeds for the same, the Debenture Trustee being hereby irrevocably constituted the attorney of the Corporation and each Guarantor for the purpose of making such sale and executing such deeds, and any such sale made as aforesaid shall be a perpetual bar at law and in equity against the Corporation and the Guarantors and their respective successors and assigns and all other Persons claiming the said property or any part or parcel thereof by, from, through or under the Corporation or the Guarantors and their respective successors or assigns, and the proceeds of any such sale shall be distributed in the manner hereinafter provided;

- (iii) the Debenture Trustee may, with or without entry or sale as aforesaid, in its discretion proceed to protect and enforce its rights under this Indenture and the other Debenture Documents by sale under judgment or order in any judicial proceeding or by foreclosure or a suit or suits in equity or at law or otherwise whether for the specific performance of any covenant or agreement contained in this Indenture or any other Debenture Document or in aid of the execution of this Indenture or any other Debenture Document or for the enforcement of any other legal or equitable remedy as the Debenture Trustee shall deem most effective to protect and enforce any of the rights or duties of the Debenture Trustee and Debentureholders;
- (iv) the Debenture Trustee may in its discretion appoint a Receiver of the Secured Assets or any part thereof and of the rents, issues, profits, revenues and income thereof and in respect thereto the following provisions shall apply:
 - (A) such appointment shall be made in writing signed by the Debenture Trustee and such writing shall be conclusive evidence for all purposes of such appointment. The Debenture Trustee may from time to time in the same manner remove any Receiver so appointed and appoint another in its stead; in making any such appointment the Debenture Trustee shall be deemed to be acting as the attorney for the Corporation and the Guarantors;
 - (B) any such appointment may be limited to any part or parts of the Secured Assets or may extend to the whole thereof;
 - (C) every such Receiver may, in the discretion of the Debenture Trustee, be vested with all or any of the powers and discretions of the Debenture Trustee;
 - (D) the Debenture Trustee may from time to time fix the reasonable remuneration of every such Receiver and direct the payment thereof out of the Secured Assets, the income therefrom or the proceeds thereof (in priority to the Debenture Trustee);

- (E) the Debenture Trustee may from time to time require any such Receiver to give security for the performance of its duties and may fix the nature and amount thereof, but shall not be bound to require such security;
- (F) every such Receiver may, with the consent in writing of the Debenture Trustee, borrow money for the purposes of carrying on the business of the Corporation or any Guarantor in respect of any part of the Secured Assets or for the maintenance, protection or preservation of the Secured Assets or any part thereof, and any Receiver may issue certificates (in this Section called “**Receiver Certificates**”) for such sums as will, in the in the opinion of the Debenture Trustee, be sufficient for obtaining upon the security of the Secured Assets or any part thereof the amounts from time to time required, and such Receiver’s Certificates may be payable either to order or bearer and may be payable at such time or times as the Debenture Trustee may consider expedient, and shall bear inters at the rate of 10% per annum and the Receiver may sell, pledge or otherwise dispose of the same in such manner as the Debenture Trustee may consider advisable and may pay such commission on the sale thereof as the Debenture Trustee may consider reasonable, and the amount from time to time payable by virtue of such Receiver’s Certificates shall at the option of the Debenture Trustee be entitled to the Security Interest constituted by the Security Documents in priority to the principal, interest and other amounts secured thereby;
- (G) every such Receiver shall, so far as concerns responsibility for his acts or omissions, be deemed the agent of the Corporation and the Guarantors, and in no event the agent of the Debenture Trustee or any Debentureholder, and the Debenture Trustee shall not, in making or consenting to such appointment, incur any liability to any Receiver for his remuneration or otherwise howsoever;
- (H) except as may be otherwise directed by the Debenture Trustee all monies from time to time received by any Receiver shall be paid over to the Debenture Trustee at the principal office of the Debenture Trustee in Calgary, Alberta as hereinbefore provided, to be held by it as part of the Secured Assets; and
- (I) the Debenture Trustee may pay over to any Receiver any monies constituting part of the Secured Assets to the extent that the same may be applied for the purposes hereof by such Receiver, and the Debenture Trustee may from time to time determine what funds any Receiver shall be at liberty to keep on hand with a view to the performance of his duties as such Receiver;
- (v) the Debenture Trustee may, at its discretion in lieu of appointing a Receiver as provided in paragraph 8.4(e)(iv) herein, and without regard to the adequacy of the Security Interest constituted by the Security Documents or the solvency of the Corporation or any Guarantor, apply to any court or courts of competent jurisdiction for the appointment of a Receiver of the Secured Assets, and of the rents, issues, profits, revenues and income thereof, with such powers as the court or courts making such appointment or appointments shall confer; and

- (vi) the Corporation shall, and shall cause each Guarantor to, on demand by the Debenture Trustee, yield up possession of the Secured Assets whenever the Debenture Trustee shall have a right or entry under the foregoing provisions and agrees to put no obstacle in the way of, but to facilitate by all legal means, the actions of the Debenture Trustee or any Receiver hereunder and not to interfere with the carrying out of the powers granted hereby or conferred by any court or courts hereunder to or upon the Debenture Trustee or any Receiver.

8.5 No Suits by Debentureholders

No holder of any Debenture shall have any right to institute any action, suit or proceeding at law or in equity for the purpose of enforcing payment of the principal of, or premium (if any), or interest on the Debentures or for the execution of any trust or power hereunder or any other Debenture Document or for the appointment of a liquidator or Receiver or for a receiving order under the Bankruptcy and Insolvency Act (Canada) or to have the Corporation wound up or to file or prove a claim in any liquidation or bankruptcy proceeding or for any other remedy hereunder or any other Debenture Document, unless: (a) such holder shall previously have given to the Debenture Trustee written notice of the happening of an Event of Default hereunder; and (b) the Debentureholders by Extraordinary Resolution or by written instrument signed by the holders of at least 66⅔ % in principal amount of the Debentures then outstanding shall have made a request to the Debenture Trustee and the Debenture Trustee shall have been afforded reasonable opportunity either itself to proceed to exercise the powers hereinbefore granted or to institute an action, suit or proceeding in its name for such purpose; and (c) the Debentureholders or any of them shall have furnished to the Debenture Trustee, when so requested by the Debenture Trustee, sufficient funds and security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and (d) the Debenture Trustee shall have failed to act within a reasonable time after such notification, request and offer of indemnity and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Debenture Trustee, to be conditions precedent to any such proceeding or for any other remedy hereunder by or on behalf of the holder of any Debentures.

8.6 Application of Monies by Debenture Trustee

Except as herein otherwise expressly provided, any monies received by the Debenture Trustee from the Corporation or any Guarantor pursuant to the foregoing provisions of this Article 8, or as a result of legal or other proceedings or from any trustee in bankruptcy or liquidator of the Corporation or any Guarantor, shall be applied, together with any other monies in the hands of the Debenture Trustee available for such purpose, as follows:

- (a) first, if and to the extent that the Debenture Trustee deems it in the interest of the Debentureholders generally, in payment of all liens, Security Interests and other encumbrances (if any) on the Secured Assets ranking or capable of ranking in priority to the Security Interest granted pursuant to the Security Documents or to keep in good standing any such prior encumbrances, including without limitation the Senior Security (if applicable);
- (b) second, in payment or in reimbursement to the Debenture Trustee of its compensation, costs, charges, expenses, borrowings, advances or other monies furnished or provided by or at the instance of the Debenture Trustee in or about the execution of its trusts under, or otherwise in relation to, this Indenture, with interest thereon as herein provided;

- (c) third, but subject as hereinafter in this Section 8.6 provided, in payment, rateably and proportionately to (and in the case of applicable withholding taxes, if any, on behalf of) the holders of Debentures, of the principal of and premium (if any) and accrued and unpaid interest and interest on amounts in default on the Debentures which shall then be outstanding in the priority of principal first and then premium and then accrued and unpaid interest and interest on amounts in default unless otherwise directed by Extraordinary Resolution and in that case in such order or priority as between principal, premium (if any) and interest as may be directed by such resolution;
- (d) fourth, in payment of the amount owing on any mortgages, charges, liens, Security Interests and other encumbrances ranking junior to the Security Interest pursuant to the Security Documents; and
- (e) fifth, in payment of the surplus, if any, of such monies to the Corporation or its assigns;

provided, however, that no payment shall be made pursuant to clause (c) above in respect of the principal, premium or interest on any Debenture held, directly or indirectly, by or for the benefit of the Corporation or any Subsidiary (other than any Debenture pledged for value and in good faith to a Person other than the Corporation or any Subsidiary but only to the extent of such person's interest therein) except subject to the prior payment in full of the principal, premium (if any) and interest (if any) on all Debentures which are not so held.

8.7 Distribution of Proceeds

Payment to Debentureholders pursuant to Subsection 8.6(c) shall be made as follows:

- (a) at least 15 days' notice of every such payment shall be given in the manner provided in Section 13.2 specifying the time when and the place or places where the Debentures are to be presented and the amount of the payment and the application thereof as between principal and interest;
- (b) payment of any Debenture shall be made upon presentation thereof at any one of the places specified in such notice and any such Debenture thereby paid in full shall be surrendered, otherwise a memorandum for such payment shall be endorsed thereon; the Debenture Trustee may in its discretion dispense with presentation and surrender for endorsement in any special case upon such indemnity being given as it shall deem sufficient;
- (c) from and after the date of payment specified in the notice, interest shall accrue only on the amount owing on each Debenture after giving credit for the amount of the payment specified in such notice unless the Debenture with respect to which such amount is owing be duly presented on or after the date so specified and payment of such amount be not made; and
- (d) the Debenture Trustee shall not be bound to apply or make any partial or interim payment of any moneys coming into its hands if the amount so received by it, after reserving thereout such amount as the Debenture Trustee may think necessary to provide for the payments mention in Subsection 8.6(a), is insufficient to make a distribution of at least 2% of the aggregate principal amount of the outstanding Debentures.

8.8 Debenture Trustee Appointed Attorney

The Corporation hereby irrevocably appoints the Debenture Trustee to be the attorney of the Corporation in the name and on behalf for the Corporation to execute any instruments and do any acts and things which the Corporation ought to execute and do and has not execute or done, under the covenants and provisions contained in this Indenture and generally to use the name of the Corporation in the exercise of all or any of the powers hereby conferred on the Debenture Trustee with full powers of substitution and revocation.

8.9 Remedies Cumulative

No remedy under this Indenture, any other Debenture Document or otherwise conferred upon or reserved to the Debenture Trustee, or upon or to the holders of Debentures is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or by statute.

8.10 Judgment Against the Corporation

The Corporation covenants and agrees with the Debenture Trustee that, in case of any judicial or other proceedings to enforce the rights of the Debentureholders, judgment may be rendered against it in favour of the Debentureholders or in favour of the Debenture Trustee, as trustee for the Debentureholders, for any amount which may remain due in respect of the Debentures and premium (if any) and the interest thereon and any other monies owing hereunder.

8.11 Immunity of Directors, Officers and Others

The Debentureholders and the Debenture Trustee hereby waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future officer or director of any entity of the Family Memorials Group, any Director or any holder of Shares or of any successor thereto, for the payment of the principal of or premium or interest on any of the Debentures or on any covenant, agreement, representation or warranty by the Corporation contained herein or in the Debentures.

ARTICLE 9 SATISFACTION AND DISCHARGE

9.1 Cancellation and Destruction

All Debentures shall forthwith after payment thereof be delivered to the Debenture Trustee and cancelled by it. All Debentures cancelled or required to be cancelled under this or any other provision of this Indenture shall be destroyed by the Debenture Trustee and, if required by the Corporation, the Debenture Trustee shall furnish to it a destruction certificate setting out the designating numbers of the Debentures so destroyed.

9.2 Non-Presentation of Debentures

In case the holder of any Debenture shall fail to present the same for payment on the date on which the principal, premium (if any) or the interest thereon or represented thereby becomes payable either at maturity or otherwise or shall not accept payment on account thereof and give such receipt therefor, if any, as the Debenture Trustee may require:

- (a) the Corporation shall be entitled to pay or deliver to the Debenture Trustee and direct the Debenture Trustee to set aside; or

- (b) in respect of monies in the hands of the Debenture Trustee which may or should be applied to the payment of the Debentures, the Corporation shall be entitled to direct the Debenture Trustee to set aside; or
- (c) if the redemption was pursuant to notice given by the Debenture Trustee, the Debenture Trustee may itself set aside, the principal, premium (if any) or the interest, as the case may be, in trust to be paid to the holder of such Debenture upon due presentation or surrender thereof in accordance with the provisions of this Indenture; and thereupon the principal, premium (if any) or the interest payable on or represented by each Debenture in respect whereof such monies have been set aside shall be deemed to have been paid and the holder thereof shall thereafter have no right in respect thereof except that of receiving delivery and payment of the monies (less applicable withholding taxes, if any) so set aside by the Debenture Trustee upon due presentation and surrender thereof, subject always to the provisions of Section 9.3.

9.3 Repayment of Unclaimed Monies or Shares

Subject to applicable law, any monies, set aside under Section 9.2 and not claimed by and paid to holders of Debentures as provided in Section 9.2 within six years after the date of such setting aside shall be repaid and delivered to the Corporation by the Debenture Trustee and thereupon the Debenture Trustee shall be released from all further liability with respect to such monies and thereafter the holders of the Debentures in respect of which such monies were so repaid to the Corporation shall have no rights in respect thereof except to obtain payment and delivery of the monies from the Corporation subject to any limitation period provided by the laws of the Province of Alberta.

9.4 Discharge

The Debenture Trustee shall at the written request of the Corporation release and discharge this Indenture and the Security Documents and the Security Interests constituted thereby and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation and the Guarantors from their respective covenants herein and therein contained (other than the provisions relating to the indemnification of the Debenture Trustee hereunder), upon proof being given to the reasonable satisfaction of the Debenture Trustee that the principal and premium (if any) of and interest (including interest on amounts in default, if any), on all the Debentures and all other monies payable hereunder or under any other Debenture Document have been paid or satisfied or that all the Debentures having matured or having been duly called for redemption, payment of the principal of and interest (including interest on amounts in default, if any) on such Debentures and of all other monies payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

9.5 Satisfaction

- (a) The Corporation shall be deemed to have fully paid, satisfied and discharged all of the outstanding Debentures and the Debenture Trustee, at the expense of the Corporation, shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of such Debentures, when, with respect to all of the outstanding Debentures either:
 - (i) the Corporation has deposited or caused to be deposited with the Debenture Trustee as trust funds or property in trust for the purpose of making payment

on such Debentures, an amount sufficient to pay, satisfy and discharge the entire amount of principal, premium, if any, and interest, if any, to maturity or any repayment date or Redemption Date, as the case may be, of such Debentures; or

- (ii) the Corporation has deposited or caused to be deposited with the Debenture Trustee as property in trust for the purpose of making payment on such Debentures:

- (A) if the Debentures are issued in Canadian dollars, such amount in Canadian dollars of direct obligations of, or obligations the principal and interest of which are guaranteed by, the Government of Canada or Shares, if applicable; or

- (B) If the Debentures are issued in a currency other than Canadian dollars, cash in the currency in which the Debentures are payable and/or such amount in such currency of direct obligations of, or obligations the principal and interest of which are guaranteed by, the Government of Canada or the government that issued the currency in which the Debentures are payable;

as will, together with the income to accrue thereon and reinvestment thereof, be sufficient to pay and discharge the entire amount of principal and accrued and unpaid interest to maturity or any repayment date, as the case may be, of all such Debentures;

and in either event:

- (iii) the Corporation has paid, caused to be paid or made provisions to the satisfaction of the Debenture Trustee for the payment of all other sums payable or which may be payable with respect to all of such Debentures (together with all applicable expenses of the Debenture Trustee in connection with the payment of such Debentures); and
- (iv) the Corporation has delivered to the Debenture Trustee an Officer's Certificate stating that all conditions precedent herein provided relating to the payment, satisfaction and discharge of all such Debentures have been complied with.

Any deposits with the Debenture Trustee referred to in this Section 9.5 shall be irrevocable, subject to Section 9.6, and shall be made under the terms of an escrow and/or trust agreement in form and substance satisfactory to the Debenture Trustee and the Corporation and which provides for the due and punctual payment of the principal of, and interest and premium, if any, on the Debentures being satisfied.

- (b) Upon the satisfaction of the conditions set forth in this Section 9.5 with respect to all the outstanding Debentures, the terms and conditions of the Debentures, including the terms and conditions with respect thereto set forth in this Indenture (other than those contained in Article 2, 4 and 6 and Section 8.4 and the provisions of Article 1 pertaining to the foregoing provisions) shall no longer be binding upon or applicable to the Corporation.

- (c) Any funds or obligations deposited with the Debenture Trustee pursuant to this Section 9.5 shall be denominated in the currency or denomination of the Debentures in respect of which such deposit is made.
- (d) If the Debenture Trustee is unable to apply any money or securities in accordance with this Section 9.5 by reason of any legal proceeding or any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Corporation's obligations under this Indenture and the affected Debentures shall continue as though no money or securities had been deposited pursuant to this Section 9.5 until such time as the Debenture Trustee is permitted to apply all such money or securities in accordance with this Section 9.5, provided that if the Corporation has made any payment in respect of principal, premium or interest on Debentures or, as applicable, other amounts because of the reinstatement of its obligations, the Corporation shall be subrogated to the rights of the holders of such Debentures to receive such payment from the money or securities held by the Debenture Trustee.

9.6 Continuance of Rights, Duties and Obligations

- (a) Where trust funds or trust property have been deposited pursuant to Section 9.5, the holders of Debentures and the Corporation shall continue to have and be subject to their respective rights, duties and obligations under Article 2, Article 4 and Article 6 and the provisions of Article 1 pertaining to the foregoing provisions, as may be applicable.
- (b) In the event that, after the deposit of trust funds or trust property pursuant to Section 9.5 in respect of Debentures (the "**Defeased Debentures**"), any holder of any of the Defeased Debentures from time to time converts its Debentures to Shares or other securities of the Corporation in accordance with Subsection 2.2(e), Article 6 or any other provision of this Indenture, the Debenture Trustee shall upon receipt of a Written Direction of the Corporation return to the Corporation from time to time the proportionate amount of the trust funds or other trust property deposited with the Debenture Trustee pursuant to Section 9.5 in respect of the Defeased Debentures which is applicable to the Defeased Debentures so converted (which amount shall be based on the applicable principal amount of the Defeased Debentures being converted in relation to the aggregate outstanding principal amount of all the Defeased Debentures).
- (c) In the event that, after the deposit of trust funds or trust property pursuant to Section 9.5, the Corporation is required to purchase any outstanding Debentures pursuant to Subsection 2.2(g), the Corporation shall be entitled to use any trust money or trust property deposited with the Debenture Trustee pursuant to Section 9.5 for the purpose of paying to any holders of Defeased Debentures who have accepted any such offer of the Corporation the Offer Price payable to such holders in respect of such offer to purchase the Debentures. Upon receipt of a Written Direction from the Corporation, the Debenture Trustee shall be entitled to pay to such holder from such trust money or trust property deposited with the Debenture Trustee pursuant to Section 9.5 in respect of the Defeased Debentures which is applicable to the Defeased Debentures held by such holders who have accepted any such offer from the Corporation (which amount shall be based on the applicable principal amount of the Defeased Debentures held by holders that accept any such offer in relation to the aggregate outstanding principal amount of all the Defeased Debentures).

ARTICLE 10 SUCCESSORS

10.1 Restrictions on Amalgamation, Merger and Sale of Certain Assets, etc.

Subject to the provisions of Article 11, the Corporation shall not enter into any transaction or series of transactions whereby all or substantially all of its undertaking, property or assets would become the direct or indirect property of any other Person (herein called a “**Successor**”) whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- (a) prior to or contemporaneously with the consummation of such transaction the Corporation and the Successor shall have executed and delivered to the Debenture Trustee such instruments and done such things as, in the opinion of Counsel, are necessary or advisable to establish that upon the consummation of such transaction:
 - (i) the Successor will have assumed all the covenants and obligations of the Corporation under this Indenture and each other Debenture Document;
 - (ii) if the Successor is organized otherwise than under the laws of the Province of Alberta, it shall attorn to the jurisdiction of the courts of the Province of Alberta;
 - (iii) the Debentures will be valid and binding obligations of the Successor entitling the holders thereof, as against the Successor, to all the rights of Debentureholders under this Indenture;
 - (iv) after giving effect to the transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would become an Event of Default, will occur; and
 - (v) other conditions described in the Indenture are met;
- (b) such transaction, in the opinion of Counsel, shall be on such terms as to substantially preserve and not impair any of the rights and powers of the Debenture Trustee or of the Debentureholders hereunder; and
- (c) no condition or event shall exist as to the Corporation (at the time of such transaction) or the Successor (immediately after such transaction) and after giving full effect thereto or immediately after the Successor shall become liable to pay the principal monies, premium, if any, interest and other monies due or which may become due hereunder, which constitutes or would constitute an Event of Default hereunder.

10.2 Vesting of Powers in Successor

Whenever the conditions of Section 10.1 shall have been duly observed and performed, any Successor formed by or resulting from such transaction shall succeed to, and be substituted for, and may exercise every right and power of the Corporation under this Indenture with the same effect as though the Successor had been named as the Corporation herein and thereafter, except in the case of a lease or other similar disposition of property to the Successor, the Corporation shall be relieved of all obligations and covenants under this Indenture and the Debentures forthwith upon the Corporation delivering to the Debenture Trustee an opinion of Counsel to the effect that the transaction shall not result in any material adverse tax consequences to the Corporation or the

Successor. The Debenture Trustee will, at the expense of the Successor, execute any documents which it may be advised by Counsel are necessary or advisable for effecting or evidencing such release and discharge.

ARTICLE 11 COMPULSORY ACQUISITION

11.1 Definitions

In this Article:

- (a) “**Affiliate**” and “**Associate**” when used to indicate a relationship with a Person or company, shall have their respective meanings as set forth in the *Securities Act* (Alberta), respectively;
- (b) “**Dissenting Debentureholders**” means a Debentureholder who does not accept an Offer referred to in Section 11.2 and includes any assignee of the Debenture of a Debentureholder to whom such an Offer is made, whether or not such assignee is recognized under this Indenture;
- (c) “**Offer**” means an offer to acquire outstanding Debentures which is a take-over bid or issuer bid for Debentures within the meaning ascribed thereto in MI 62-104, where, as of the date of the offer to acquire, the Debentures that are subject to the offer to acquire, together with the Offeror’s Debentures, constitute in the aggregate 20% or more of the outstanding principal amount of the Debentures;
- (d) “**offer to acquire**” includes an acceptance of an offer to sell;
- (e) “**Offeror**” means a person, or two or more persons acting jointly or in concert, who make an Offer to acquire Debentures;
- (f) “**Offeror’s Debentures**” means Debentures beneficially owned, or over which control or direction is exercised, on the date of an Offer by the Offeror, any Affiliate or Associate of the Offeror or any Person or company acting jointly or in concert with the Offeror; and
- (g) “**Offeror’s Notice**” means the notice described in Section 11.3.

11.2 Offer for Debentures

If an Offer for all of the outstanding Debentures (other than Debentures held by or on behalf of the Offeror or an Affiliate or Associate of the Offeror) is made and:

- (a) within the time provided in the Offer for its acceptance or within 120 days after the date the Offer is made, whichever period is the shorter, the Offer is accepted by Debentureholders representing at least 90% of the outstanding principal amount of the Debentures, other than the Offeror’s Debentures;
- (b) the Offeror is bound to take up and pay for, or has taken up and paid for the Debentures of the Debentureholders who accepted the Offer; and
- (c) the Offeror complies with Sections 11.3 and 11.5,

the Offeror is entitled to acquire, and the Dissenting Debentureholders are required to sell to the Offeror, the Debentures held by the Dissenting Debentureholders for the same consideration per Debenture payable or paid, as the case may be, under the Offer.

11.3 Offeror's Notice to Dissenting Shareholders

Where an Offeror is entitled to acquire Debentures held by Dissenting Debentureholders pursuant to Section 11.2 and the Offeror wishes to exercise such right, the Offeror shall send by registered mail within 30 days after the date of termination of the Offer a notice (the "**Offeror's Notice**") to each Dissenting Debentureholder stating that:

- (a) Debentureholders holding at least 90% of the principal amount of all outstanding Debentures, other than Offeror's Debentures, have accepted the Offer;
- (b) the Offeror is bound to take up and pay for, or has taken up and paid for, the Debentures of the Debentureholders who accepted the Offer;
- (c) Dissenting Debentureholders must transfer their respective Debentures to the Offeror on the terms on which the Offeror acquired the Debentures of the Debentureholders who accepted the Offer within 21 days after the date of the sending of the Offeror's Notice; and
- (d) Dissenting Debentureholders must send their respective Debenture certificate(s) to the Debenture Trustee within 21 days after the date of the sending of the Offeror's Notice.

11.4 Delivery of Debenture Certificates

A Dissenting Debentureholder to whom an Offeror's Notice is sent pursuant to Section 11.3 shall, within 21 days after the sending of the Offeror's Notice, send his or her Debenture certificate(s) to the Debenture Trustee duly endorsed for transfer.

11.5 Payment of Consideration to Debenture Trustee

Within 21 days after the Offeror sends an Offeror's Notice pursuant to Section 11.3, the Offeror shall pay or transfer to the Debenture Trustee, or to such other Person as the Debenture Trustee may direct, the cash or other consideration that is payable to Dissenting Debentureholders pursuant to Section 11.2. The acquisition by the Offeror of all Debentures held by all Dissenting Debentureholders shall be effective as of the time of such payment or transfer.

11.6 Consideration to be held in Trust

The Debenture Trustee, or the Person directed by the Debenture Trustee, shall hold in trust for the Dissenting Debentureholders the cash or other consideration they or it receives under Section 11.5. The Debenture Trustee, or such persons, shall deposit cash in a separate account in a Schedule I Bank, and shall place other consideration in the custody of a Schedule I Bank or in a trust account with the Debenture Trustee.

11.7 Completion of Transfer of Debentures to Offeror

Within 30 days after the date of the sending of an Offeror's Notice pursuant to Section 11.3, the Debenture Trustee, if the Offeror has complied with Section 11.5, shall:

- (a) do all acts and things and execute and cause to be executed all instruments as in the Debenture Trustee's opinion may be necessary or desirable to cause the transfer of the Debentures of the Dissenting Debentureholders to the Offeror;
- (b) send to each Dissenting Debentureholder who has complied with Section 11.4 the consideration to which such Dissenting Debentureholder is entitled under this Article 11 net of applicable withholding taxes, if any; and
- (c) send to each Dissenting Debentureholder who has not complied with Section 11.4 a notice (provided by the Offerror) stating that:
 - (i) his or her Debentures have been transferred to the Offeror;
 - (ii) the Debenture Trustee or some other Person designated in such notice are holding in trust the consideration for such Debentures; and
 - (iii) the Debenture Trustee, or such other person, will send the consideration to such Dissenting Debentureholder as soon as possible after receiving such Dissenting Debentureholder's Debenture certificate(s) or such other documents as the Debenture Trustee or such other Person may require in lieu thereof, and the Debenture Trustee is hereby appointed the agent and attorney, and is granted power of attorney with respect to the Debentures, of the Dissenting Debentureholders for the purposes of giving effect to the foregoing provisions including, without limitation, the power and authority to execute such transfers as may be necessary or desirable in respect of the book-entry only registration system of the Depository.

11.8 Communication of Offer to the Corporation

An Offeror cannot make an Offer for Debentures unless, concurrent with the communication of the Offer to any Debentureholder, a copy of the Offer is provided to the Corporation, which will then provide a copy to the Debenture Trustee.

ARTICLE 12 MEETINGS OF DEBENTUREHOLDERS

12.1 Right to Convene Meeting

The Debenture Trustee or the Corporation may at any time and from time to time, and the Debenture Trustee shall, on receipt of a written request of the Corporation or a written request signed by the holders of not less than 25% of the principal amount of the Debentures then outstanding and upon receiving funding and being indemnified to its reasonable satisfaction by the Corporation or by the Debentureholders signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Debentureholders. In the event of the Debenture Trustee failing, within 30 days after receipt of any such request and such funding of indemnity, to give notice convening a meeting, the Corporation or such Debentureholders, as the case may be, may convene such meeting. Every such meeting shall be held in the city of Calgary or at such other place as may be approved or determined by the Corporation and the Debenture Trustee.

12.2 Notice of Meetings

At least 21 days' notice of any meeting shall be given to the Debentureholders in the manner provided in Section 13.2 and a copy of such notice shall be sent by post to the Debenture Trustee,

unless the meeting has been called by it. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article. The accidental omission to give notice of a meeting to any holder of Debentures shall not invalidate any resolution passed at any such meeting. A holder may waive notice of a meeting either before or after the meeting.

12.3 Chairman

Some person, who need not be a Debentureholder, nominated in writing by the Corporation (in case it convenes the meeting) or by the Debenture Trustee (in any other case) shall be chairman of the meeting and if no person is so nominated, or if the person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, a majority of the Debentureholders present in person or by proxy shall choose some person present to be chairman.

12.4 Quorum

Subject to the provisions of Section 12.13, at any meeting of the Debentureholders a quorum shall consist of Debentureholders present in person or by proxy and representing at least 25% in principal amount of the outstanding Debentures. If a quorum of the Debentureholders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Debentureholders or pursuant to a request of the Debentureholders, shall be dissolved, but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day in which case it shall be adjourned to the next following Business Day thereafter) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting, the Debentureholders present in person or by proxy shall, subject to the provisions of Section 12.13, constitute a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 25% of the principal amount of the outstanding Debentures. Any business may be brought before or dealt with at an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless the required quorum be present at the commencement of business.

12.5 Power to Adjourn

The chairman of any meeting at which a quorum of the Debentureholders is present may, with the consent of the holders of a majority in principal amount of the Debentures represented thereat, adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

12.6 Show of Hands

Every question submitted to a meeting shall, subject to Section 12.7, be decided in the first place by a majority of the votes given on a show of hands except that votes on Extraordinary Resolutions shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Debentures, if any, held by him.

12.7 Poll

On every Extraordinary Resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Debentureholders or proxies for Debentureholders, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Questions other than Extraordinary Resolutions shall, if a poll be taken, be decided by the votes of the holders of a majority in principal amount of the Debentures represented at the meeting and voted on the poll.

12.8 Voting

On a show of hands every Person who is present and entitled to vote, whether as a Debentureholder or as proxy for one or more Debentureholders or both, shall have one vote. On a poll each Debentureholder present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each \$1,000 principal amount of Debentures of which he shall then be the holder. A proxy need not be a Debentureholder. In the case of joint holders of a Debenture, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others but in case more than one of them be present in person or by proxy, they shall vote together in respect of the Debentures of which they are joint holders.

In the case of a Global Debenture, the Depositary may appoint or cause to be appointed a Person or Persons as proxies and shall designate the number of votes entitled to each such Person, and each such Person shall be entitled to be present at any meeting of Debentureholders and shall be the Persons entitled to vote at such meeting in accordance with the number of votes set out in the Depositary's designation.

12.9 Proxies

A Debentureholder may be present and vote at any meeting of Debentureholders by an authorized representative. The Corporation (in case it convenes the meeting) or the Debenture Trustee (in any other case) for the purpose of enabling the Debentureholders to be present and vote at any meeting without producing their Debentures, and of enabling them to be present and vote at any such meeting by proxy and of lodging instruments appointing such proxies at some place other than the place where the meeting is to be held, may from time to time make and vary such regulations as it shall think fit providing for and governing any or all of the following matters:

- (a) the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any Person signing on behalf of a Debentureholder;
- (b) the deposit of instruments appointing proxies at such place as the Debenture Trustee, the Corporation or the Debentureholder convening the meeting, as the case may be, may, in the notice convening the meeting, direct and the time, if any, before the holding of the meeting or any adjournment thereof by which the same must be deposited; and
- (c) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, faxed, or sent by other electronic means before the meeting to the Corporation or to the Debenture Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

12.10 Regulations

The Debenture Trustee, or the Corporation with the approval of the Debenture Trustee, may from time to time make and from time to time vary such regulations as it shall from time to time think fit providing for or governing the following:

- (a) voting by proxy by Debentureholders, the form of the instrument appointing a proxyholder (which shall be in writing) and the manner in which it may be executed, and the authority to be provided by any Person signing a proxy on behalf of a Debentureholder;
- (b) the deposit of instruments appointing proxyholders at such place as the Debenture Trustee, the Corporation or the Debentureholders convening the meeting, as the case may be, may, in the notice convening the meeting, direct and the time, if any, before the holding of the meeting or any adjustment thereof by which the same shall be deposited;
- (c) the deposit of instruments appointing proxyholders at an approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxyholders to be provided before the meeting to the Corporation or to the Debenture Trustee at the place at which the meeting is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting; and
- (d) generally for the calling of a meeting of Debentureholders and the conduct of business thereat.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only Persons who shall be recognized at any meeting as the holders of any Debentures, or as entitled to vote or be present at the meeting in respect thereof, shall be Debentureholders and Persons whom Debentureholders have by instrument in writing duly appointed as their proxies.

12.11 Persons Entitled to Attend Meetings

The Corporation, each other entity of Family Memorials Group and the Debenture Trustee, by their respective officers, directors, employees and agents (as applicable), the Auditors of the Corporation and the legal advisers of the Corporation, the Debenture Trustee or any Debentureholder may attend any meeting of the Debentureholders, but shall have no vote as such.

12.12 Powers Exercisable by Extraordinary Resolution

In addition to the powers conferred upon them by any other provisions of this Indenture or by law, a meeting of the Debentureholders shall have the following powers exercisable from time to time by Extraordinary Resolution, subject in the case of the matters in paragraphs (a), (b), (c), (d) and (l) to receipt of the prior approval of the TSXV (if applicable) or such other exchange on which the Debentures are then listed:

- (a) power to authorize the Debenture Trustee to grant extensions of time for payment of any principal, premium or interest on the Debentures, whether or not the principal, premium, or interest, the payment of which is extended, is at the time due or overdue;

- (b) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Debentureholders or the Debenture Trustee against the Corporation or any Guarantor, or against their respective property and assets or any part thereof, whether such rights arise under this Indenture or the Debentures or the Security Documents or otherwise provided that such sanctioned actions are not prejudicial to the Debenture Trustee;
- (c) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture or any Debenture or any other Debenture Document which shall be agreed to by the Corporation and to authorize the Debenture Trustee to concur in and execute any indenture supplemental hereto or any amendment to any other Debenture Document embodying any modification, change, addition or omission, and to consent to the assignment by the Corporation or any Guarantor of its rights or obligations pursuant to any Security Document;
- (d) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Corporation or any Guarantor or for the consolidation, amalgamation, arrangement, combination or merger of the Corporation or any Guarantor with any other Person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Corporation or any Guarantor or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Section 10.1 shall have been complied with;
- (e) power to direct or authorize the Debenture Trustee to exercise any power, right, remedy or authority given to it by this Indenture or any other Debenture Document in any manner specified in any such Extraordinary Resolution or to refrain from exercising any such power, right, remedy or authority;
- (f) power to waive, and direct the Debenture Trustee to waive, any default hereunder and/or cancel any declaration made by the Debenture Trustee pursuant to Section 8.1 either unconditionally or upon any condition specified in such Extraordinary Resolution;
- (g) power to restrain any Debentureholder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal, premium or interest on the Debentures, or for the execution of any trust or power hereunder;
- (h) power to direct any Debentureholder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted by Section 8.5, of the costs, charges and expenses reasonably and properly incurred by such Debentureholder in connection therewith;
- (i) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any Shares or other securities of the Corporation;
- (j) power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise, and to direct the Debenture Trustee to exercise, on behalf of the Debentureholders, such of the powers of the Debentureholders as are exercisable by Extraordinary Resolution or other resolution as shall be included in the resolution appointing the committee. The

resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Debentureholders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Debentureholders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;

- (k) power to remove the Debenture Trustee from office and to appoint a new Debenture Trustee or Debenture Trustees provided that no such removal shall be effective unless and until a new Debenture Trustee or Debenture Trustees shall have become bound by this Indenture;
- (l) power to sanction the exchange of the Debentures for or the conversion thereof into Shares, bonds, debentures or other securities or obligations of the Corporation or of any other Person formed or to be formed;
- (m) power to authorize the distribution in specie of securities received pursuant to a transaction authorized under the provisions of Section 12.12(l);
- (n) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Debentureholders or by any committee appointed pursuant to Section 12.12(j);
- (o) power to authorize the distribution in specie of any Shares, shares, bonds, debentures or other securities or obligations or cash or other consideration received hereunder or the use or disposal of the whole or any part of such Shares, shares bonds, debentures or other securities or obligations or cash or other consideration in such manner and for such purpose as may be deemed advisable and specified in such Extraordinary Resolution; and
- (p) power to authorize the Debenture Trustee or any other Person or Persons to bid at any sale of the Corporation's or any Guarantor's properties or assets or any part thereof and to borrow the moneys required to take any deposit at said sale or pay the balance of the purchase price and to hypothecate, mortgage, pledge, charge, cede and transfer the property or assets so purchased as security for the repayment of the moneys so borrowed and interest thereon, or itself, himself or themselves, as the case may be, to advance such moneys (in which event it, he or they shall have a lien upon the property or assets so purchased for the amount so advanced and interest thereon) and to hold any property or assets so purchased (subject to any hypothec, mortgage, pledge, charge or lien to secure any moneys so borrowed or advanced) in trust for all the Holders of the Debentures outstanding at the time of such sale pro rata in proportion to the amounts due to them thereon respectively for principal, if any, and interest before such sale and to sell, transfer and convey the whole or any part or parts of the property or assets so purchased for such consideration in cash or in the Shares, shares, bonds, debentures or other securities or obligations of any entity formed or to be formed, or partly in cash and partly in such securities or obligations, and upon such terms and conditions as may be determined by such

Extraordinary Resolution of the Debentureholders and, subject to such terms and conditions, to dispose of such cash, Shares, bonds, debenture or other securities or obligations pursuant to the provisions of Section 12.12.(o), and until the sale, transfer or conveyance of the whole of such property or assets so purchased to maintain and operate such part of said property and assets as has not been disposed of, and for such purposes to borrow the moneys required to make any deposit at said sale or pay the balance of the purchase price and to hypothecate, mortgage, pledge, charge, cede and transfer the property or assets so purchased, or any part thereof, as security for the repayment of the moneys so borrowed and interest thereon or itself, himself or themselves, as the case may be, to advance such moneys (in which event it, he or they shall have a lien upon the property or assets so purchased for the amount so advanced and interest thereon), and otherwise deal with such property and assets and the proceeds of any sale, transfer or conveyance thereof as the Debentureholders may by such Extraordinary Resolution direct.

Except as otherwise provided in this Indenture, all other powers of and matters to be determined by the Debentureholders may be exercised or determined from time to time by Ordinary Resolution.

The expression “**Ordinary Resolution**” when used in this Indenture means, except as otherwise provided in this Indenture, a resolution proposed to be passed as an ordinary resolution at a meeting of Debentureholders duly convened for the purpose and held in accordance with the provisions of this Article 12 at which a quorum of the Debentureholders is present and passed by the affirmative votes of Debentureholders present in person or represented by proxy at the meeting who hold more than 50% of the principal amount of the Debentures voted in respect of such resolution

12.13 Meaning of “Extraordinary Resolution”

- (a) The expression “**Extraordinary Resolution**” when used in this Indenture means, subject as hereinafter in this Article provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Debentureholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article at which the holders of not less than 25% of the principal amount of the Debentures then outstanding and passed by the favourable votes of the holders of not less than 66 2/3% of the principal amount of the Debentures then outstanding, present or represented by proxy at the meeting and voted upon on a poll on such resolution.
- (b) If, at any such meeting, the holders of not less than 25% of the principal amount of the Debentures then outstanding are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of Debentureholders, shall be dissolved but in any other case it shall stand adjourned to such date, being not less than 14 nor more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 10 days notice shall be given of the time and place of such adjourned meeting in the manner provided in Section 12.2. Such notice shall state that at the adjourned meeting the Debentureholders present in person or by proxy shall form a quorum. At the adjourned meeting the Debentureholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed thereat by the affirmative vote of holders of not less than 66 2/3% of the principal amount of the Debentures present or represented by proxy at the meeting and voted upon on a

poll shall be an Extraordinary Resolution within the meaning of this Indenture, notwithstanding that the holders of not less than 25% in principal amount of the Debentures then outstanding are not present in person or by proxy at such adjourned meeting.

- (c) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

12.14 Powers Cumulative

Any one or more of the powers in this Indenture stated to be exercisable by the Debentureholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Debentureholders to exercise the same or any other such power or powers thereafter from time to time.

12.15 Minutes

Minutes of all resolutions and proceedings at every meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Debenture Trustee at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Debentureholders, shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting, in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken thereat to have been duly passed and taken.

12.16 Instruments in Writing

All actions which may be taken and all powers that may be exercised by the Debentureholders at a meeting held as hereinbefore in this Article provided may also be taken and exercised by the holders of 66 2/3% of the principal amount of all the outstanding Debentures by an instrument in writing signed in one or more counterparts and the expression "Extraordinary Resolution" when used in this Indenture shall include an instrument so signed.

12.17 Binding Effect of Resolutions

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article at a meeting of Debentureholders shall be binding upon all the Debentureholders, whether present at or absent from such meeting, and every instrument in writing signed by Debentureholders in accordance with Section 12.16 shall be binding upon all the Debentureholders, whether signatories thereto or not, and each and every Debentureholder and the Debenture Trustee (subject to the provisions for its indemnity herein contained) shall be bound to give effect accordingly to every such resolution, Extraordinary Resolution and instrument in writing.

12.18 Evidence of Rights of Debentureholders

- (a) Any request, direction, notice, consent or other instrument which this Indenture may require or permit to be signed or executed by the Debentureholders may be in any number of concurrent instruments of similar tenor signed or executed by such Debentureholders.

- (b) The Debenture Trustee may, in its discretion, require proof of execution in cases where it deems proof desirable and may accept such proof as it shall consider proper.

12.19 Record Dates

If the Corporation shall solicit from the holders of Debentures any request, demand, authorization, direction, notice, consent, waiver or other action, the Corporation may, at its option, by or pursuant to a Written Direction of the Corporation, fix in advance a record date for the determination of such holders entitled to provide such request, demand, authorization, direction, notice, consent, waiver or other action, but the Corporation shall have the obligation to do so. Any such record date shall be the record date specified in or pursuant to such Written Direction of the Corporation.

If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other action may be given before or after such record date, but only the holders of record at the close of business on such record date shall be deemed to be holders for the purposes of determining whether holders of the requisite proportion of Debentures then outstanding have authorized or agreed or consented to such request, demand, authorization, notice, consent, waiver or other act, and for this purpose the Debentures then outstanding shall be computed as of such record date.

ARTICLE 13 NOTICES

13.1 Notice to the Corporation or Family Memorials Group

Any notice to the Corporation or any Guarantor under the provisions of this Indenture or any other Debenture Document shall be valid and effective if delivered to the Corporation at 1126 Roland St., Thunder Bay, Ontario P7B 5M4, Attention: Scott C. Kellaway, President, Facsimile No.(807) 577-5338; or if given by registered letter, postage prepaid, to such offices and so addressed and if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Corporation may from time to time notify the Debenture Trustee in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Corporation and the Guarantors for all purposes of this Indenture.

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Corporation or any Guarantor would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to this Section 13.1, such notice shall be valid and effective only if delivered at the appropriate address in accordance with this Section 13.1.

13.2 Notice to Debentureholders

All notices to be given hereunder with respect to the Debentures shall be deemed to be validly given to the holders thereof if sent by first class mail, postage prepaid, by letter or circular addressed to such holders at their post office addresses appearing in any of the registers hereinbefore mentioned and shall be deemed to have been effectively given three days following the day of mailing. Accidental error or omission in giving notice or accidental failure to mail notice to any Debentureholder or the inability of the Corporation to give or mail any notice due to any event beyond the reasonable control of the Corporation shall not invalidate any action or proceeding founded thereon.

If any notice given in accordance with the foregoing paragraph would be unlikely to reach the Debentureholders to whom it is addressed in the ordinary course of post by reason of an interruption in mail service, whether at the place of dispatch or receipt or both, the Corporation shall give such notice by publication at least once in the city of Calgary, Alberta (or in such of those cities as, in the opinion of the Debenture Trustee, is sufficient in the particular circumstances), each such publication to be made in a daily newspaper of general circulation in the designated city.

Any notice given to Debentureholders by publication shall be deemed to have been given on the day on which publication shall have been effected at least once in each of the newspapers in which publication was required.

All notices with respect to any Debenture may be given to whichever one of the holders thereof (if more than one) is named first in the registers hereinbefore mentioned, and any notice so given shall be sufficient notice to all holders of any persons having an interest in such Debenture.

13.3 Notice to Debenture Trustee

Any notice to the Debenture Trustee under the provisions of this Indenture or any other Debenture Document shall be valid and effective if delivered to the Debenture Trustee at its offices in the city of Calgary at Computershare Trust Company of Canada, 600, 530 – 8th Avenue S.W., Calgary, Alberta T2P 3S8, Attention: Manager, Corporate Trust or if sent by facsimile to facsimile number (403) 267-6598, Attention: Manager, Corporate Trust, or if given by registered letter, postage prepaid, to such offices and so addressed and, if mailed, shall be deemed to have been effectively given three days following the mailing thereof.

13.4 Mail Service Interruption

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Debenture Trustee would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to Section 13.3 such notice shall be valid and effective only if delivered at the appropriate address in accordance with Section 13.3.

ARTICLE 14 CONCERNING THE DEBENTURE TRUSTEE

14.1 No Conflict of Interest

The Debenture Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture there exists no material conflict of interest in the role of the Debenture Trustee as a fiduciary hereunder but if, notwithstanding the provisions of this Section 14.1, such a material conflict of interest exists, or hereafter arises, the validity and enforceability of this Indenture, and the Debentures issued hereunder, shall not be affected in any manner whatsoever by reason only that such material conflict of interest exists or arises but the Debenture Trustee shall, within 30 days after ascertaining that it has a material conflict of interest, either eliminate such material conflict of interest or resign in the manner and with the effect specified in Section 14.2.

14.2 Replacement of Debenture Trustee

The Debenture Trustee may resign its trust and be discharged from all further duties and liabilities hereunder by giving to the Corporation 60 days notice in writing or such shorter notice as the Corporation may accept as sufficient. If at any time a material conflict of interest exists in the Debenture Trustee's role as a fiduciary hereunder the Debenture Trustee shall, within 30 days

after ascertaining that such a material conflict of interest exists, either eliminate such material conflict of interest or resign in the manner and with the effect specified in this Section 14.2. The validity and enforceability of this Indenture and of the Debentures issued hereunder shall not be affected in any manner whatsoever by reason only that such a material conflict of interest exists. In the event of the Debenture Trustee resigning or being removed or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new Debenture Trustee unless a new Debenture Trustee has already been appointed by the Debentureholders. Failing such appointment by the Corporation, the retiring Debenture Trustee or any Debentureholder may apply to a Justice of the Court of Queens's Bench of Alberta, on such notice as such Justice may direct at the Corporation's expense, for the appointment of a new Debenture Trustee but any new Debenture Trustee so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Debentureholders and the appointment of such new Debenture Trustee shall be effective only upon such new Debenture Trustee becoming bound by this Indenture. Any new Debenture Trustee appointed under any provision of this Section 14.2 shall be a corporation authorized to carry on the business of a trust company in all of the provinces and territories of Canada. On any new appointment the new Debenture Trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Debenture Trustee.

Any company into which the Debenture Trustee may be merged or, with or to which it may be consolidated, amalgamated or sold, or any company resulting from any merger, consolidation, sale or amalgamation to which the Debenture Trustee shall be a party, or any company succeeding to the corporate trust business of the Debenture Trustee shall be the successor Debenture Trustee under this Indenture without the execution of any instrument or any further act. Nevertheless, upon the written request of the successor Debenture Trustee or of the Corporation, the Debenture Trustee ceasing to act shall execute and deliver an instrument assigning and transferring to such successor Debenture Trustee, upon the terms herein expressed, all the rights, powers and trusts of the Debenture Trustee so ceasing to act, and shall duly assign, transfer and deliver all property and money held by such Debenture Trustee to the successor Debenture Trustee so appointed in its place. Should any deed, conveyance or instrument in writing from the Corporation be required by any new Debenture Trustee for more fully and certainly vesting in and confirming to it such estates, properties, rights, powers and trusts, then any and all such deeds, conveyances and instruments in writing shall on request of said new Debenture Trustee, be made, executed, acknowledged and delivered by the Corporation.

14.3 Duties of Debenture Trustee

In the exercise of the rights, duties and obligations prescribed or conferred by the terms of this Indenture, the Debenture Trustee shall act honestly and in good faith and exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

14.4 Reliance Upon Declarations, Opinions, etc.

In the exercise of its rights, duties and obligations hereunder the Debenture Trustee may, if acting in good faith, act and rely, as to the truth of the statements and accuracy of the opinions expressed therein, upon statutory declarations, opinions, reports or certificates furnished pursuant to any covenant, condition or requirement of this Indenture or required by the Debenture Trustee to be furnished to it in the exercise of its rights and duties hereunder, if the Debenture Trustee examines such statutory declarations, opinions, reports or certificates and determines that they comply with Section 14.5, if applicable, and with any other applicable requirements of this Indenture. The Debenture Trustee may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. Without restricting the foregoing, the Debenture Trustee may act

and rely on an opinion of Counsel satisfactory to the Debenture Trustee notwithstanding that it is delivered by a solicitor or firm which acts as solicitors for the Corporation.

14.5 Evidence and Authority to Debenture Trustee, Opinions, etc.

The Corporation shall furnish to the Debenture Trustee evidence of compliance with the conditions precedent provided for in this Indenture relating to any action or step required or permitted to be taken by the Corporation or the Debenture Trustee under this Indenture or as a result of any obligation imposed under this Indenture, including without limitation, the certification and delivery of Debentures hereunder, the satisfaction and discharge of this Indenture and the taking of any other action to be taken by the Debenture Trustee at the request of or on the application of the Corporation, forthwith if and when (a) such evidence is required by any other Section of this Indenture to be furnished to the Debenture Trustee in accordance with the terms of this Section 14.5, or (b) the Debenture Trustee, in the exercise of its rights and duties under this Indenture, gives the Corporation written notice requiring it to furnish such evidence in relation to any particular action or obligation specified in such notice.

Such evidence shall consist of:

- (a) a certificate made by any one officer or director of the Corporation, stating that any such condition precedent has been complied with in accordance with the terms of this Indenture;
- (b) an opinion of Counsel that such condition precedent has been complied with in accordance with the terms of this Indenture; and
- (c) in the case of any such condition precedent compliance with which is subject to review or examination by auditors or accountants, an opinion or report of the auditors of the Corporation whom the Debenture Trustee for such purposes hereby approves, that such condition precedent has been complied with in accordance with the terms of this Indenture.

Whenever such evidence relates to a matter other than the certificates and delivery of Debentures and the satisfaction and discharge of this Indenture, and except as otherwise specifically provided herein, such evidence may consist of a report or opinion of any solicitor, auditor, accountant, engineer or appraiser or any other Person whose qualifications give authority to a statement made by him, provided that if such report or opinion is furnished by a director or officer or employee of the Corporation, it shall be in the form of a statutory declaration. Such evidence shall be, so far as appropriate, in accordance with the immediately preceding paragraph of this Section 14.5.

Each statutory declaration, certificate, opinion or report with respect to compliance with a condition precedent provided for in the Indenture shall include (a) a statement by the Person giving the evidence that he has read and is familiar with those provisions of this Indenture relating to the condition precedent in question, (b) a brief statement of the nature and scope of the examination or investigation upon which the statements or opinions contained in such evidence are based, (c) a statement that, in the belief of the Person giving such evidence, he has made such examination or investigation as is necessary to enable him to make the statements or give the opinions contained or expressed therein, and (d) a statement whether in the opinion of such Person the conditions precedent in question have been complied with or satisfied.

The Corporation shall furnish to the Debenture Trustee at any time if the Debenture Trustee reasonably so requires, an Officer's Certificate that the Corporation has complied with all covenants, conditions or other requirements contained in this Indenture, the non-compliance with

which would, with the giving of notice or the lapse of time, or both, or otherwise, constitute an Event of Default, or if such is not the case, specifying the covenant, condition or other requirement which has not been complied with and giving particulars of such non-compliance. The Corporation shall, whenever the Debenture Trustee so requires, furnish the Debenture Trustee with evidence by way of statutory declaration, opinion, report or certificate as specified by the Debenture Trustee as to any action or step required or permitted to be taken by the Corporation or as a result of any obligation imposed by this Indenture.

14.6 Officer's Certificates Evidence

Except as otherwise specifically provided or prescribed by this Indenture, whenever in the administration of the provisions of this Indenture the Debenture Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, the Debenture Trustee, if acting in good faith, may act and rely upon an Officer's Certificate.

14.7 Experts, Advisers and Agents

The Debenture Trustee may:

- (a) employ or retain and act and rely on the opinion or advice of or information obtained from any solicitor, auditor, valuator, engineer, surveyor, appraiser or other expert or advisor, whether obtained by the Debenture Trustee or by the Corporation, or otherwise, and shall not be liable for acting, or refusing to act, in good faith on any such opinion or advice and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid; and
- (b) employ such agents and other assistants as it may reasonably require for the proper discharge of its duties hereunder, and may pay reasonable remuneration for all services performed for it (and shall be entitled to receive reasonable remuneration for all services performed by it) in the discharge of the trusts hereof and compensation for all disbursements, costs and expenses made or incurred by it in the discharge of its duties hereunder and in the management of the trusts hereof and any solicitors employed or consulted by the Debenture Trustee may, but need not be, solicitors for the Corporation.

14.8 Debenture Trustee May Deal in Debentures

Subject to Sections 14.1 and 14.3, the Debenture Trustee may, in its personal or other capacity, buy, sell, lend upon and deal in the Debentures and generally contract and enter into financial transactions with the Corporation or otherwise, without being liable to account for any profits made thereby.

14.9 Investment of Monies Held by Debenture Trustee

Unless otherwise provided in this Indenture, any monies held by the Debenture Trustee, which, under the trusts of this Indenture, may or ought to be invested or which may be on deposit with the Debenture Trustee or which may be in the hands of the Debenture Trustee, may be invested and reinvested in the name or under the control of the Debenture Trustee in securities in which, under the laws of the Province of Alberta, trustees are authorized to invest trust monies, provided that such securities are expressed to mature within two years or such shorter period selected to facilitate any payments expected to be made under this Indenture, after their purchase by the Debenture Trustee, and unless and until the Debenture Trustee shall have declared the principal of

and interest on the Debentures to be due and payable, the Debenture Trustee shall so invest such monies upon Written Direction of the Corporation given in a reasonably timely manner. Pending the investment of any monies as hereinbefore provided, such monies may be deposited in the name of the Debenture Trustee in a Schedule I Bank or in a trust account with the Debenture Trustee. The Corporation shall receive the Debenture Trustee's prevailing rate for all monies held by it, as may change from time to time.

Unless and until the Debenture Trustee shall have declared the principal of and interest on the Debentures to be due and payable, the Debenture Trustee shall pay over to the Corporation all interest received by the Debenture Trustee in respect of any investments or deposits made pursuant to the provisions of this Section.

14.10 Debenture Trustee Not Ordinarily Bound

Except as provided in Section 8.2 and as otherwise specifically provided herein, the Debenture Trustee shall not, subject to Section 14.3, be bound to give notice to any Person of the execution hereof, nor to do, observe or perform or see to the observance or performance by the Corporation of any of the obligations herein imposed upon the Corporation or of the covenants on the part of the Corporation herein contained, nor in any way to supervise or interfere with the conduct of the Corporation's business, unless the Debenture Trustee shall have been required to do so in writing by the holders of not less than 25% of the aggregate principal amount of the Debentures then outstanding or by any Extraordinary Resolution of the Debentureholders passed in accordance with the provisions contained in Article 12, and then only after it shall have been funded and indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

14.11 Debenture Trustee Not Required to Give Security

The Debenture Trustee shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Indenture or otherwise in respect of the premises.

14.12 Debenture Trustee Not Bound to Act on the Corporation's Request

Except as in this Indenture otherwise specifically provided, the Debenture Trustee shall not be bound to act in accordance with any direction or request of the Corporation until a duly authenticated copy of the instrument or resolution containing such direction or request shall have been delivered to the Debenture Trustee, and the Debenture Trustee shall be empowered to act upon any such copy purporting to be authenticated and believed by the Debenture Trustee to be genuine.

14.13 Debenture Trustee Protected in Acting

The Debenture Trustee may act and rely, and shall be protected in acting and relying absolutely, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, letter, facsimile transmission, directions or other paper document believed in good faith by it to be genuine and to have been signed, sent or presented by or on behalf of the proper party or parties. The Debenture Trustee shall be protected in acting and relying upon any written notice, request, waiver, consent, certificate, receipt, statutory declaration, affidavit or other paper or document furnished to it, not only as to its due execution and the validity and the effectiveness of its provisions but also as to the truth and acceptability of any information therein contained which it in good faith believes to be genuine and what it purports to be.

14.14 Conditions Precedent to Debenture Trustee's Obligations to Act Hereunder

The obligation of the Debenture Trustee to commence or continue any act, action or proceeding for the purpose of enforcing the rights of the Debenture Trustee and of the Debentureholders hereunder shall be conditional upon the Debentureholders furnishing when required by notice in writing by the Debenture Trustee, sufficient funds to commence or continue such act, action or proceeding and indemnity reasonably satisfactory to the Debenture Trustee to protect and hold harmless the Debenture Trustee against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof.

None of the provisions contained in this Indenture shall require the Debenture Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified as aforesaid.

The Debenture Trustee may, before commencing or at any time during the continuance of any such act, action or proceeding require the Debentureholders at whose instance it is acting to deposit with the Debenture Trustee the Debentures held by them for which Debentures the Debenture Trustee shall issue receipts.

14.15 Authority to Carry on Business

The Debenture Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture it is authorized to carry on the business of a trust company in all the provinces and territories of Canada but if, notwithstanding the provisions of this Section 14.15, it ceases to be so authorized to carry on business, the validity and enforceability of this Indenture and the securities issued hereunder shall not be affected in any manner whatsoever by reason only of such event but the Debenture Trustee shall, within 90 days after ceasing to be authorized to carry on the business of trust company in any of the provinces of Canada, either become so authorized or resign in the manner and with the effect specified in Section 14.2.

14.16 Compensation and Indemnity

- (a) The Corporation shall pay to the Debenture Trustee from time to time reasonable compensation for its services hereunder as agreed separately by the Corporation and the Debenture Trustee, and shall pay or reimburse the Debenture Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Debenture Trustee in the administration or execution of its duties under this Indenture (including the reasonable and documented compensation and disbursements of its Counsel and all other advisers and assistants not regularly in its employ), both before any default hereunder and thereafter until all duties of the Debenture Trustee under this Indenture shall be finally and fully performed. The Debenture Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust.
- (b) The Corporation hereby indemnifies and saves harmless the Debenture Trustee and its directors, officers, employees and agents from and against any and all loss, damages, charges, expenses, claims, demands, actions or liability whatsoever which may be brought against the Debenture Trustee or which it may suffer or incur as a result of or arising out of or in connection with this Indenture or the other Debenture Documents, save only in the event of the gross negligence, or the willful misconduct or bad faith of the Debenture Trustee. This indemnity will survive the termination or discharge of this Indenture and the resignation or removal of the Debenture Trustee. The Debenture Trustee shall notify the Corporation promptly of any claim for which

it may seek indemnity. The Corporation shall defend the claim and the Debenture Trustee shall cooperate in the defence. The Debenture Trustee may have separate counsel and the Corporation shall pay the reasonable fees and expenses of such Counsel. The Corporation need not pay for any settlement made without its consent, which consent must not be unreasonably withheld. This indemnity shall survive the resignation or removal of the Debenture Trustee or the discharge of this Indenture.

- (c) The Corporation need not reimburse any expense or indemnify against any loss or liability incurred by the Debenture Trustee through gross negligence, willful misconduct or bad faith or breach of the Debenture Trustee's duties hereunder.
- (d) Provisions contained in this Section 14.15 shall survive the resignation or removal of the Debenture Trustee and the discharge of this Debenture.

14.17 Anti-Money Laundering

The Debenture Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Debenture Trustee, in its sole judgment and acting reasonably, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Debenture Trustee, in its sole judgment and acting reasonably, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' written notice to the Corporation or any shorter period of time as agreed to by the Corporation, provided that:

- (a) the Debenture Trustee's written notice shall describe the circumstances of such non-compliance; and
- (b) if such circumstances are rectified to the Debenture Trustee's satisfaction within such 10 day period, then such resignation shall not be effective.

14.18 Acceptance of Trust

The Debenture Trustee hereby accepts the trusts in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and by law in trust for the various persons who shall from time to time be Debentureholders, subject to all the terms and conditions herein set forth.

14.19 Privacy Laws

The parties acknowledge that Debenture Trustee may, in the course of providing services hereunder, collect or receive financial and other personal information about such parties and /or their representatives, as individuals, or about other individuals related to the subject matter hereof, and use such information for the following purposes:

- (a) to provide the services required under this Indenture and other services that may be requested from time to time;
- (b) to help the Debenture Trustee manage its servicing relationships with such individuals;
- (c) to meet the Debenture Trustee's legal and regulatory requirements; and

- (d) if Social Insurance Numbers are collected by the Debenture Trustee, to perform tax reporting and to assist in verification of an individual's identity for security purposes.

Each party acknowledges and agrees that the Debenture Trustee may receive, collect, use and disclose personal information provided to it or acquired by it in the course of this Indenture for the purposes described above and generally, in the manner and on the terms described in its privacy code, which the Debenture Trustee shall make available on its website or upon request, including revisions thereto. Some of this personal information may be transferred to servicers in the U.S.A. for data processing and /or storage. Further, each party agrees that it shall not provide or cause to be provided to the Debenture Trustee any personal information relating to an individual who is not a party to this Indenture unless that party has assured itself that such individual understands and has consented to the aforementioned terms, uses and disclosures.

14.20 Force Majeure

Except for the payment obligations of the Corporation contained herein, neither party shall be liable to the other, or held in breach of this Indenture, if prevented, hindered, or delayed in the performance or observance of any provision contained herein by reason of act of God, riots, terrorism, acts of war, epidemics, governmental action or judicial order, earthquakes, or any other similar causes (including , but not limited to, mechanical, electronic or communication interruptions, disruptions or failures). Performance times under this Indenture shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this Section 14.20.

14.21 U.S. Securities Laws

The Corporation confirms that as at the date of execution of this Indenture it does not have a class of securities registered pursuant to Section 12 of the US Securities Exchange Act or have a reporting obligation pursuant to Section 15(d) of the US Securities Exchange Act. The Corporation covenants that in the event that (i) any class of its securities shall become registered pursuant to Section 12 of the US Securities Exchange Act or the Corporation shall incur a reporting obligation pursuant to Section 15(d) of the US Securities Exchange Act or (ii) any such registration or reporting obligation shall be terminated by the Corporation in accordance with the US Securities Exchange Act, the Corporation shall promptly deliver to the Debenture Trustee an Officers' Certificate (in a form provide by the Debenture Trustee) notifying the Debenture Trustee of such registration or termination and such other information as the Debenture Trustee may require at the time. The Corporation acknowledges that the Debenture Trustee is relying upon the foregoing representation and covenants in order to meet certain US Securities and Exchange Commission ("SEC") obligations with respect to those clients who are filing with the SEC.

14.22 Debenture Trustee Not Receiver

The Debenture Trustee and any Person related to the Debenture Trustee shall not be appointed a Receiver or liquidator of all or any part of the assets on undertaking of the Corporation.

14.23 Third Party Account

Any account to be opened by, or interest to held by, the Debenture Trustee in connection with this Indenture, for or to the credit of a Debentureholder, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which

case the Debentureholder shall complete and execute forthwith a declaration in the Debenture Trustee's prescribed form as to the particulars of such third party.

ARTICLE 15 SUPPLEMENTAL INDENTURES

15.1 Supplemental Indentures

Subject to any approval that may be required pursuant to the requirements of the TSXV, from time to time the Debenture Trustee and, when authorized by a resolution of the Directors, the Corporation, may, and shall when required by this Indenture, execute, acknowledge and deliver by their proper officers deeds or indentures supplemental hereto which thereafter shall form part hereof, for any one or more of the following purposes:

- (a) adding to the covenants of the Corporation herein contained for the protection of the Debentureholders, or providing for events of default, in addition to those herein specified;
- (b) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder, including the making of any modifications in the form of the Debentures which do not affect the substance thereof and which in the opinion of the Debenture Trustee relying on an opinion of Counsel will not be prejudicial to the interests of the Debentureholders;
- (c) evidencing the succession, or successive successions, of others to the Corporation and the covenants of and obligations assumed by any such successor in accordance with the provisions of this Indenture;
- (d) giving effect to any Extraordinary Resolution passed as provided in Article 12; and
- (e) for any other purpose not inconsistent with the terms of this Indenture, provided that, in the opinion of the Debenture Trustee (relying on an opinion of counsel), the rights of the Debentureholders are in no way prejudiced thereby.

Unless the supplemental indenture requires the consent or concurrence of Debentureholders by Extraordinary Resolution, the consent or concurrence of Debentureholders shall not be required in connection with the execution, acknowledgement or delivery of a supplemental indenture. The Corporation and the Debenture Trustee may amend any of the provisions of this Indenture related to matters of United States law or the issuance of Debentures into the United States in order to ensure that such issuances can be made in accordance with applicable law in the United States without the consent or approval of the Debentureholders. The Debenture Trustee will have the right to request a legal opinion regarding matters of United States law on the issuance of Debentures into the United States prior to or concurrently with making such amendments. Further, the Corporation and the Debenture Trustee may without the consent or concurrence of the Debentureholders by supplemental indenture or otherwise, make any changes or corrections in this Indenture which it shall have been advised by Counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained herein or in any indenture supplemental hereto or any Written Direction of the Corporation provided for the issue of Debentures, providing that in the opinion of the Debenture Trustee (relying upon an opinion of Counsel) the rights of the Debentureholders and the Senior Creditors are in no way prejudiced thereby.

ARTICLE 16 RIGHT OF RESCISSION

16.1 Right of Rescission

If the Prospectus contains a misrepresentation (as such terms is defined in the *Securities Act* (Alberta) and it was a misrepresentation on the date a purchaser purchased Debentures, a purchaser of Debentures to whom the Prospectus was sent or delivered and who was the original purchaser of the Debentures (collectively, the “**Original Purchasers**”) shall have a right of action against the Corporation for rescission to receive the subscription price of each Debenture for which such purchaser subscribed exercisable on notice given to the Corporation not more than 180 days subsequent to the date hereof (the “**Rescission Period**”) . The right of action for rescission is only available to an Original Purchaser either while he or she is a holder of the Debentures purchased or while he or she is a holder of the Common Shares issued upon conversion of such Debentures during the Rescission Period.

16.2 Knowledge of Misrepresentation

In no event shall the Corporation be liable under Section 16.1 if the Original Purchaser purchased the Debentures with knowledge of the misrepresentation.

ARTICLE 17 EXECUTION AND FORMAL DATE

17.1 Execution

This Indenture may be executed and delivered by facsimile and in counterparts, each of which when so executed and delivered shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and notwithstanding their date of execution they shall be deemed to be dated as of the date hereof.

17.2 Contracts of the Corporation

- (a) The Directors, in incurring any debts, liabilities or obligations, or in taking or omitting any other actions for or in connection with the affairs of the Corporation are, and will be conclusively deemed to be, acting for and on behalf of the Corporation, and not in their own personal capacities. None of the Directors will be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses (including legal expenses) against or with respect to the Corporation or in respect to the affairs of the Corporation. No property or assets of the Directors, owned in their personal capacity or otherwise, will be subject to any levy, execution or other enforcement procedure with regard to any obligations under this Indenture or the Debentures. No recourse may be had or taken, directly or indirectly, against the Directors in their personal capacity. The Corporation and the Guarantors will be solely liable therefor and resort will be had solely to the property and assets of the Corporation and the Guarantors for payment or performance thereof.
- (b) No holder of Shares as such will be subject to any personal liability whatsoever, whether extra-contractually, contractually or otherwise, to any party to this Indenture or pursuant to the Debentures in connection with the obligations or the affairs of the Corporation or the acts or omissions of the Directors, whether under this Indenture, the Debentures or otherwise, and the other parties to this Indenture and the holders of the Debentures will look solely to the property and assets of the Corporation and the Guarantors for satisfaction of claims of any nature arising out of or in connection

therewith and the property and assets of the Corporation and the Guarantors only will be subject to levy or execution.

17.3 Formal Date

For the purpose of convenience this Indenture may be referred to as bearing the formal date of July 7, 2011 irrespective of the actual date of execution hereof.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the date first written above.

FAMILY MEMORIALS INC.

Per: (Signed) "Scott Kellaway"

Scott Kellaway, President

COMPUTERSHARE TRUST COMPANY OF CANADA

Per: (Signed) "Laura Leong"

By: (Signed) "Trisha Beaton"

SCHEDULE "A"

FORM OF GLOBAL DEBENTURE

**TO THE DEBENTURE INDENTURE BETWEEN FAMILY MEMORIALS INC. AND
COMPUTERSHARE TRUST COMPANY OF CANADA**

SCHEDULE “A”

This Debenture is a Global Debenture within the meaning of the Indenture herein referred to and is registered in the name of a Depository or a nominee thereof. This Debenture may not be transferred to or exchanged for Debentures registered in the name of any Person other than the Depository or a nominee thereof and no such transfer may be registered except in the limited circumstances described in the Indenture (as defined below). Every Debenture authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of, this Debenture shall be a Global Debenture subject to the foregoing, except in such limited circumstances described in the Indenture.

Unless this Debenture is presented by an authorized representative of CDS Clearing and Depository Services Inc. (“CDS”) to Family Memorials Inc. or its agent for registration of transfer, exchange or payment, and any certificate issued in respect thereof is registered in the name of CDS & CO. or in such other name as is requested by an authorized representative of CDS (and any payment is made to CDS & CO. or to such other entity as is requested by an authorized representative of CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since as the registered holder hereof, CDS & CO. has property interest in the securities represented by this certificate herein and it is a violation of its rights for another Person to hold, transfer or deal with this certificate.

Certificate No. •
CUSIP •
ISIN •

[\$•]

FAMILY MEMORIALS INC.

(A CORPORATION GOVERNED BY THE BUSINESS CORPORATIONS ACT
(ONTARIO))

10% CONVERTIBLE SECURED DEBENTURE

Family Memorials Inc.(the “**Corporation**”) for value received hereby acknowledges itself indebted and, subject to the provisions of the trust indenture (the “**Indenture**”) dated as of July 7, 2011 between the Corporation and Computershare Trust Company of Canada (the “**Debenture Trustee**”), promises to pay to the registered holder hereof on the Maturity Date of this Debenture, as hereinafter defined, or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Indenture, the principal sum of • dollars [\$•] in lawful money of Canada on presentation and surrender of this Debenture at the principal offices of the Debenture Trustee in Calgary, Alberta in accordance with the terms of the Indenture.

The maturity date (the “**Maturity Date**”) for the Debentures shall be June 15, 2016. The Debentures shall bear interest at the rate of 10% per annum, payable in equal installments semi-annually, in arrears, on June 15 and December 15 in each year computed on the basis of a 365-day. The first such payment will fall due on December 15, 2011 and the last payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date or, the earlier date of redemption or conversion) will fall due on the Maturity Date or the earlier date of redemption or conversion, payable after as well as before maturity and after as well as before default, with interest on amounts after maturity or in default at the same rate,

compounded semi-annually, computed on the basis of a 365-day year. The first interest payment will include interest accrued from the date hereof.

Interest hereon shall be payable by cheque mailed by prepaid ordinary mail or by electronic transfer of funds to the registered holder hereof and, subject to the provisions of the Indenture, the sending of such electronic transfer of funds shall, to the extent of the sum represented thereby (plus the amount of any tax withheld), satisfy and discharge all liability for interest on this Debenture.

Reference is hereby expressly made to the Indenture for a description of the terms and conditions upon which the Debentures are to be issued and held and the rights and remedies of the holders of the Debentures and of the Corporation and of the Debenture Trustee, all to the same effect as if the provisions of the Indenture were herein set forth to all of which provisions the holder of this Debenture by acceptance hereof assents. Capitalized terms used herein that are not otherwise defined shall have the meaning as provided in the Indenture.

The Debentures authorized for issue immediately are limited to an aggregate principal amount of FIVE MILLION, THREE HUNDRED AND FIFTY SEVEN THOUSAND dollars in lawful money of Canada (\$5,357,000).

The Debentures are issuable only in denominations of \$1,000 and integral multiples thereof. Upon compliance with the provisions of the Indenture, Debentures of any denomination may be exchanged for an equal aggregate principal amount of Debentures in any other authorized denomination or denominations.

The whole, or if this Debenture is a denomination in excess of \$1,000, any part which is \$1,000 or an integral multiple thereof, of the principal of this Debenture is convertible, at the option of the holder hereof, upon surrender of this Debenture at the principal offices of the Debenture Trustee in Calgary, Alberta, at any time prior to the close of business on the Maturity Date or, if this Debenture is called for redemption on or prior to such date, then up to but not after the close of business on the last Business Day immediately preceding the date specified for redemption of this Debenture, into Shares (without adjustment for interest accrued hereon or for dividends, distributions or interest payment on Shares issuable upon conversion) at a conversion price of \$0.19 (the “**Conversion Price**”) per Share, being a conversion rate of approximately 5,263.1579 Shares for each \$1,000 principal amount of Debentures so converted, all subject to the terms and conditions and in the manner set forth in the Indenture. The Indenture makes provision for the adjustment of the Conversion Price in the events therein specified. No fractional Shares will be issued on any conversion but in lieu thereof, the Corporation will satisfy such fractional interest by a cash payment equal to the fractional interest multiplied by the volume-weighted average price per share for Shares for the 20 consecutive Trading Days ending on the fifth Trading Day preceding the date of determination on the TSX Venture Exchange (or, if the Shares are not listed thereon, on such stock exchange on which the Shares are listed as may be selected for such purpose by or on behalf of the Directors of the Corporation and approved by the Debenture Trustee, or if the Shares are not listed on any stock exchange, then on the over-the-counter market) determined in accordance with the Indenture (the “**Current Market Price**”). Holders converting their Debentures will receive, as the case may be, interest which has accrued and is unpaid in respect thereof from the most recent Interest Payment Date to, but excluding, the Date of Conversion.

This Debenture may be redeemed at the option of the Corporation on the terms and conditions set out in the Indenture at the Redemption Price therein and herein set out provided that this

Debenture is not redeemable before June 15, 2014 except in the event of the satisfaction of certain conditions after a Change of Control has occurred. On and after June 15, 2014 and prior to the Maturity Date, the Debentures may be redeemed at the option of the Corporation at the redemption price equal to the principal amount of the Debentures plus a premium of 5% of such principal amount (the “**Redemption Price**”) provided at the time of redemption, the Corporation shall pay to the holder accrued and unpaid interest and otherwise on the terms and conditions described in the Indenture.

Upon the occurrence of a Change of Control of the Corporation, the Corporation is required to make an offer to purchase all of the Debentures at a price equal to the principal amount of such Debentures plus accrued and unpaid interest up to, but excluding, the date the Debentures are so repurchased (the “**Debenture Offer**”). If 90% or more of the principal amount of the Debentures outstanding on the date the Corporation provides the Debenture Offer to the Debenture Trustee have been tendered for purchase pursuant to the Offer, the Corporation has the right to redeem all the remaining outstanding Debentures at the same price.

If an Offer for all of the outstanding Debentures is made and 90% or more of the principal amount of all the Debentures (other than Debentures held at the date of the takeover bid by or on behalf of the Offeror, Associates or Affiliates of the Offeror or anyone acting jointly or in concert with the Offeror) are taken up and paid for by the Offeror, the Offeror will be entitled to acquire the Debentures of those holders who did not accept the Offer on the same terms as the Offeror acquired the first 90% of the principal amount of the Debentures.

The indebtedness evidenced by this Debenture, and by all other Debentures now or hereafter certified and delivered under the Indenture, is a direct secured obligation of the Corporation, and may be postponed to the Senior Security, in each case, to the extent and in the manner set forth in a Subordination Agreement entered into by the Debenture Trustee, a Senior Creditor and the Corporation in accordance with and subject to the terms of the Indenture. The Subordination Agreement may contain terms that the Debenture Trustee determines to be appropriate, provided that in no event shall any Subordination Agreement contain any provision that would (a) impair the obligation of the Corporation, which is absolute and unconditional, to pay the holders of the Debentures the principal or, premium, if any, and interest on the Debentures, and all other amounts under the Debenture Documents, as and when the same shall become due and payable in accordance with their terms, nor shall anything therein prevent the Debenture Trustee or the holder of any Debenture from exercising all remedies otherwise available to it, except where the Senior Creditor has made a demand for payment of any Senior Indebtedness and has enforced all or any part of the Senior Security, and has in each case provided notice in writing thereof to the Corporation with a copy to the Debenture Trustee; or (b) restrict or impair the issuance of Shares or other securities similar in nature thereto upon conversion, redemption or otherwise pursuant to the terms of the Indenture, or the right of any holder of a Debenture thereto.

The principal hereof may become or be declared due and payable before the stated maturity in the events, in the manner, with the effect and at the times provided in the Indenture.

The Indenture contains provisions making binding upon all holders of Debentures outstanding thereunder resolutions passed at meetings of such holders held in accordance with such provisions and instruments signed by the holders of a specified majority of Debentures outstanding, which resolutions or instruments may have the effect of amending the terms of this Debenture or the Indenture.

This Debenture may only be transferred, upon compliance with the conditions prescribed in the Indenture, in one of the registers to be kept at the principal offices of the Debenture Trustee in Calgary, Alberta and in such other place or places and/or by such other registrars (if any) as the Corporation with the approval of the Debenture Trustee may designate. No transfer of this Debenture shall be valid unless made on the register by the registered holder hereof or his executors or administrators or other legal representatives, or his or their attorney duly appointed by an instrument in form and substance satisfactory to the Debenture Trustee or other registrar, and upon compliance with such reasonable requirements as the Debenture Trustee and/or other registrar may prescribe and upon surrender of this Debenture for cancellation. Thereupon a new Debenture or Debentures in the same aggregate principal amount shall be issued to the transferee in exchange hereof.

This Debenture shall not become obligatory for any purpose until it shall have been certified by the Debenture Trustee under the Indenture.

If any of the provisions of this Debenture are inconsistent with the provisions of the Indenture, the provisions of the Indenture shall take precedence and shall govern. Capitalized words or expressions used in this Debenture shall, unless otherwise defined herein, have the meaning ascribed thereto in the Indenture.

The Indenture and this Debenture shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF FAMILY MEMORIALS INC. has caused this Debenture to be signed by its authorized representatives as of the •day of •, 20____.

FAMILY MEMORIALS INC.

Per: _____

Name

Title

(FORM OF DEBENTURE TRUSTEE'S CERTIFICATE)

This Debenture is one of the 10% Convertible Secured Debentures due June 15, 2016 referred to in the Indenture within mentioned.

COMPUTERSHARE TRUST COMPANY OF CANADA

By _____
(Authorized Officer)

(FORM OF REGISTRATION PANEL)

(No writing hereon except by Debenture Trustee or other registrar)

Date of Registration**In Whose Name Registered****Signature of Debenture Trustee
or Registrar**

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____, whose address and social insurance number, if applicable, are set forth below, this Debenture (or \$ _____ principal amount hereof) of Family Memorials Inc. standing in the name(s) of the undersigned in the register maintained by the Debenture Trustee with respect to such Debenture and does hereby irrevocably authorize and direct the Debenture Trustee to transfer such Debenture in such register, with full power of substitution in the premises.

Dated:

Address of Transferee: _____
(Street Address, City, Province and Postal Code)

Social Insurance Number of Transferee, if applicable: _____

*If less than the full principal amount of the within Debenture is to be transferred, indicate in the space provided the principal amount (which must be \$1,000 or an integral multiple thereof, unless you hold an Debenture in a non-integral multiple of \$1,000, in which case such Debenture is transferable only in its entirety) to be transferred.

1. The signature(s) to this assignment must correspond with the name(s) as written upon the face of this Debenture in every particular without alteration or any change whatsoever. The signature(s) must be guaranteed by a Canadian chartered bank or trust company or by a member of an acceptable Medallion Guarantee Program. Notarized or witnessed signatures are not acceptable as guaranteed signatures. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".
2. The registered holder of this Debenture is responsible for the payment of any documentary, stamp or other transfer taxes that may be payable in respect of the transfer of this Debenture.

Signature of Guarantor:

Authorized Officer

Signature of transferring registered holder

Name of Institution

EXHIBIT “1” TO CDS GLOBAL DEBENTURE

FAMILY MEMORIALS INC.

10% CONVERTIBLE SECURED DEBENTURES

Aggregate Principal Amount: \$•

CUSIP: •

ISIN: •

Signature of the Debenture Trustee:

ADJUSTMENTS

[illegible]

SCHEDULE “B”
FORM OF REDEMPTION NOTICE
TO THE DEBENTURE INDENTURE BETWEEN
FAMILY MEMORIALS INC.
AND
COMPUTERSHARE TRUST COMPANY OF CANADA

SCHEDULE "B"

Form of Redemption Notice Family Memorials Inc. 10% CONVERTIBLE SECURED DEBENTURES REDEMPTION NOTICE

To: Holders of 10% Convertible Secured Debentures (the "**Debentures**") of Family Memorials Inc. (the "**Corporation**")

Note: All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated.

Notice is hereby given pursuant to Section 4.3 of the trust indenture (the "**Indenture**") dated as of July 7, 2011 between the Corporation and Computershare Trust Company of Canada (the "**Debenture Trustee**"), that the aggregate principal amount of \$ ● of the \$ ● of Debentures outstanding will be redeemed as of ● (the "**Redemption Date**"), upon payment of a redemption amount of \$1,000 for each \$1,000 principal amount of Debentures plus a premium of 5% of such principal amount, being equal to the aggregate of (i) \$● (the "**Redemption Price**"), and (ii) all accrued and unpaid interest hereon to but excluding the Redemption Date (collectively, the "**Total Redemption Price**").

The Total Redemption Price will be payable upon presentation and surrender of the Debentures called for redemption at the following corporate trust office:

Computershare Trust Company of Canada

Suite 600, 530 – 8th Avenue S.W.

Calgary, Alberta T2P 3S8

Attention: Manager, Corporate Trust

The interest upon the principal amount of Debentures called for redemption shall cease to be payable from and after the Redemption Date, unless payment of the Total Redemption Price shall not be made on presentation for surrender of such Debentures at the above-mentioned corporate trust office on or after the Redemption Date or prior to the setting aside of the Total Redemption Price pursuant to the Indenture.

No fractional Shares shall be delivered upon the exercise by the Corporation of the above-mentioned redemption right but, in lieu thereof, the Corporation shall pay the cash equivalent thereof determined on the basis of the Current Market Price of Shares on the Redemption Date (less any tax required to be deducted, if any).

DATED:

FAMILY MEMORIALS INC.

Per: _____
Name:
Title:

**SCHEDULE “C”
FORM OF NOTICE OF CONVERSION
TO THE DEBENTURE INDENTURE BETWEEN
FAMILY MEMORIALS INC.
AND
COMPUTERSHARE TRUST COMPANY OF CANADA**

SCHEDULE "C"**FORM OF NOTICE OF CONVERSION**

TO: FAMILY MEMORIALS INC.

Note: All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated.

The undersigned registered holder of 10% Convertible Secured Debentures in the principal amount of \$• bearing Certificate No. • irrevocably elects to convert such Debentures (or \$ • principal amount thereof) in accordance with the terms of the Indenture referred to in such Debentures and tenders herewith the Debentures, and, if applicable, directs that the Shares of Family Memorials Inc. issuable upon a conversion be issued and delivered to the Person indicated below. (If Shares are to be issued in the name of a Person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

Dated: _____

(Signature of Registered Holder)

If less than the full principal amount of the Debentures, indicate in the space provided the principal amount (which must be \$1,000 or integral multiples thereof). _____

NOTE: If Shares are to be issued in the name of a Person other than the holder, the signature must be guaranteed by a chartered bank, a trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

(Print name in which Shares are to be issued, delivered and registered)

Name: _____

Address _____

City, Province and Postal Code _____

Name of guarantor: _____

Authorized signature: _____

SCHEDULE “D”

FORM OF GUARANTEES

**TO THE DEBENTURE INDENTURE BETWEEN FAMILY MEMORIALS INC. AND
COMPUTERSHARE TRUST COMPANY OF CANADA**

GUARANTEE AGREEMENT

THIS GUARANTEE AGREEMENT (this “**Guarantee**”) is dated with effect as of this ____ day of July, 2011 and executed and delivered by **BARBER MONUMENTS LIMITED** (the “**Guarantor**”) to and in favour of **COMPUTERSHARE TRUST COMPANY OF CANADA** as trustee pursuant to the Indenture referred to below (in such capacity, the “**Debenture Trustee**”) for the benefit of the Debenture Trustee and the Debentureholders as defined in the Indenture.

RECITALS:

- A. FAMILY MEMORIALS INC.** (the “**Corporation**”) is or is about to become indebted to the Debenture Trustee and the Debentureholders pursuant to certain Debentures issued or to be issued under an indenture made between the Corporation and the Debenture Trustee dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Indenture**”);
- B.** The Corporation is the sole shareholder of the Guarantor;
- C.** As security for the payment and performance of the obligations of the Corporation to the Debenture Trustee and the Debentureholders pursuant to or in connection with the Indenture, the Debentures and the other Indenture Documents (as such term is defined below), the Guarantor has agreed to guarantee the payment and performance of such obligations of the Corporation on the terms and subject to the conditions hereinafter set forth; and
- D.** It is in the best interests of the Guarantor to execute and deliver this Guarantee, inasmuch as the Guarantor will derive substantial direct and indirect benefits from the Corporation entering into the Indenture and issuing the Debentures.

NOW THEREFORE, in consideration of the amounts advanced to the Corporation by the Debentureholders in connection with the Debentures issued pursuant to the Indenture, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Guarantor, the Guarantor covenants and agrees to and in favour of the Debenture Trustee as follows:

ARTICLE 1 INTERPRETATION

1.1 Defined Terms. All capitalized terms which are used herein which are not otherwise defined herein shall have the respective meanings ascribed thereto in the Indenture. In this Guarantee or any amendment to this Guarantee, unless the context clearly indicates to the contrary:

- (a) “**Indenture Documents**” means the Indenture, the Debentures, this Guarantee, each other Security Document and any and all certificates, notices, agreements, documents and other instruments delivered or to be delivered in connection

therewith, each as amended, modified, supplemented, restated or replaced from time to time; and

- (b) **“Obligations”** means any and all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, at any time or from time to time due or accruing due and owing by or otherwise payable by the Corporation in connection with the Indenture Documents, in any currency, however or wherever incurred, and whether incurred by the Corporation alone or jointly with another or others and whether as principal, guarantor or surety and in whatever name or style, and (ii) the due performance and compliance by the Corporation with all of the terms and conditions of the Indenture Documents, as such debts, liabilities and obligations may be varied from time to time.

- 1.2 **Other Usages.** References to “this Guarantee”, “the Guarantee”, “hereof”, “herein”, “hereto” and like references refer to this Guarantee, as amended, modified, supplemented or replaced from time to time, and not to any particular Article, Section or other subdivision of this Guarantee.
- 1.3 **Plural and Singular.** Where the context so requires, words importing the singular number shall include the plural and vice versa.
- 1.4 **Headings.** The division of this Guarantee into Articles and Sections and the insertion of headings in this Guarantee are for convenience of reference only and shall not affect the construction or interpretation of this Guarantee.
- 1.5 **Applicable Law.** This Guarantee shall be governed exclusively (without regard to rules or principles relating to the conflict of laws) by and construed in accordance with the laws of the Province of Ontario and the Guarantor hereby irrevocably attorns and submits to the non-exclusive jurisdiction of any court of competent jurisdiction of the Province of Ontario sitting in Toronto in any action or proceeding arising out of or relating to this Guarantee and the other Indenture Documents to which it is a party. Any legal action or proceeding with respect to this Guarantee may be brought in the courts of the Province of Ontario and, by execution and delivery of this Guarantee, the Guarantor hereby accepts for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts. The Guarantor irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Guarantor at the address set opposite its name on the signature page hereof, such service to become effective five (5) Business Days after such mailing. Nothing herein shall limit the right of the Debenture Trustee to serve process in any manner permitted by law or to commence legal proceedings or otherwise proceed against the Guarantor in any other jurisdiction.
- 1.6 **Time of the Essence.** Time shall in all respects be of the essence of this Guarantee, and no extension or variation of this Guarantee or any obligation hereunder shall operate as a waiver of this provision.

ARTICLE 2 GUARANTEE

- 2.1 Guarantee.** The Guarantor hereby unconditionally, absolutely and irrevocably guarantees, in favour of the Debenture Trustee and each of the Debentureholders, the full and punctual payment, as and when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise, of all of the Obligations in the same currency as the currency of the Obligations, whether for principal, interest, fees, expenses, indemnities or otherwise.
- 2.2 Acceleration of Guarantee.** The Guarantor agrees that, upon the occurrence of any Event of Default which is continuing, and if such Event of Default which is continuing shall occur at a time when any of the Obligations may not then be due and payable, the Guarantor will pay to the Debenture Trustee and each of the Debentureholders forthwith the full amount which would be payable hereunder by the Guarantor if all such Obligations were then due and payable.
- 2.3 Nature of Guarantee.** This Guarantee shall in all respects be a continuing, absolute, unconditional and irrevocable guarantee of payment when due and not of collection, and shall remain in full force and effect until all of the Obligations have been paid in full, all obligations of the Guarantor hereunder have been paid in full and the obligations of the Debenture Trustee under the Indenture have been permanently terminated. The Guarantor guarantees that the Obligations will be paid strictly in accordance with the terms of the Indenture Document under which they arise, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Debenture Trustee with respect thereto (provided the Guarantor shall not be in breach of any such law, regulation or order by doing so). The Debenture Trustee shall apply all payments received from the Guarantor hereunder against the Obligations in such manner as it sees fit.
- 2.4 Liability Not Lessened or Limited.** Subject to the provisions hereof, the liability of the Guarantor is unlimited, without being lessened or limited by:
- (a) any lack of validity, legality, effectiveness or enforceability of any Indenture Document;
 - (b) the failure of the Debenture Trustee:
 - (i) to assert any claim or demand or to enforce any right or remedy against the Corporation or any other Person (including any other guarantor) under the provisions of any Indenture Document, or otherwise, or
 - (ii) to exercise any right or remedy against any other guarantor of, or collateral securing, any of the Obligations;
 - (c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other extension, compromise, indulgence or

renewal of any Obligation of the Corporation to the Debenture Trustee or any Debentureholder;

- (d) any reduction, limitation, variation, impairment, discontinuance or termination of the Obligations for any reason (other than by reason of any payment which is not required to be rescinded), including any claim of waiver, release, discharge, surrender, alteration or compromise, and shall not be subject to (and the Guarantor hereby waives any right to or claim of) any defence or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, the Obligations or otherwise (other than by reason of any payment which is not required to be rescinded);
- (e) any amendment to, rescission, waiver or other modification of, or any consent to any departure from, any of the terms of any Indenture Document or any other guarantees or security;
- (f) any addition, exchange, release, discharge, renewal, realization or non-perfection of any collateral security for the Obligations or any amendment to, or waiver or release or addition of, or consent to departure from, any other guarantee held by the Debenture Trustee as security for any of the Obligations;
- (g) the loss of or the unenforceability of any other guarantee or other security which the Debenture Trustee may now or hereafter hold for the benefit of itself or the Debentureholders in respect of the Obligations, whether occasioned by the fault of the Debenture Trustee or otherwise;
- (h) any change in the name of the Corporation or in the constating documents, capital structure, capacity or constitution of the Corporation, the bankruptcy or insolvency of the Corporation, the sale of any or all of the Corporation's business or assets or the Corporation being consolidated, merged or amalgamated with any other Person; or
- (i) any other circumstance (other than final payment in full of all of the Obligations) which might otherwise constitute a defence available to, or a legal or equitable discharge of, the Corporation, any surety or any other guarantor.

Any Obligation which may not be recoverable from the Guarantor as guarantor shall be recoverable from the Guarantor as principal debtor in respect thereof.

2.5 Debenture Trustee not Bound to Exhaust Recourse. The Debenture Trustee shall not be bound to pursue or exhaust its recourse against the Corporation or others or any security or other guarantees it may at any time hold before being entitled to payment hereunder from the Guarantor.

2.6 Enforcement. Upon any of the Obligations becoming due and payable, the Guarantor shall forthwith pay to the Debenture Trustee the total amount of such Obligations and the Debenture Trustee may apply the sum so paid against such of such Obligations as the

Debenture Trustee may see fit and change any such application in whole or in part from time to time. A written statement of the Debenture Trustee as to the amount remaining unpaid to the Debenture Trustee and the Debentureholders by the Corporation at any time shall be conclusive evidence against the Guarantor, absent manifest error, as to the amount remaining unpaid to the Debenture Trustee and the Debentureholders by the Corporation at such time.

- 2.7 Guarantee in Addition to Other Security.** This Guarantee shall be in addition to and not in substitution for any other guarantee or other security which the Debenture Trustee may now or hereafter hold for the benefit of itself and the Debentureholders in respect of the Obligations, and the Debenture Trustee shall be under no obligation to marshal in favour of the Guarantor any other guarantee or other security or any moneys or other assets which the Debenture Trustee may be entitled to receive or may have a claim upon.
- 2.8 Reinstatement.** This Guarantee and all other terms of this Guarantee shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment (in whole or in part) of any of the Obligations is rescinded or must otherwise be returned or restored by the Debenture Trustee by reason of the insolvency, bankruptcy or reorganization of the Corporation or for any other reason not involving the wilful misconduct of the Debenture Trustee, all as though such payment had not been made.
- 2.9 Waiver of Notice, etc.** To the extent permitted by applicable law, the Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Guarantee.
- 2.10 Advances After Certain Events.** All advances, renewals and credits made or granted by the Debenture Trustee or any of the Debentureholders purportedly to or for the Corporation after the bankruptcy or insolvency of the Corporation, but before the Debenture Trustee has received notice thereof, shall be deemed to form part of the Obligations, and all advances, renewals and credits obtained from the Debenture Trustee or any of the Debentureholders purportedly by or on behalf of the Corporation shall be deemed to form part of the Obligations, notwithstanding any lack or limitation of power, incapacity or disability of the Corporation or of the directors or agents thereof and notwithstanding that the Corporation may not be a legal entity and notwithstanding any irregularity, defect or informality in the obtaining of such advances, renewals or credits, whether or not the Debenture Trustee has knowledge thereof. The Guarantor will indemnify the Debenture Trustee and each of the Debentureholders for any such advance, renewal or credit that is not repaid to the Debenture Trustee or the Debentureholders, as applicable.
- 2.11 Subordination.** Until all of the Obligations are fully and irrevocably discharged in full, the Guarantor agrees that any and all present and future debts and obligations of the Corporation to the Guarantor are hereby fully subordinated in all respects to the claims of the Debenture Trustee for the benefit of the Debentureholders as security for its obligations hereunder.

2.12 Indemnity. As an original and independent obligation under this Guarantee, the Guarantor shall:

- (a) indemnify the Debenture Trustee and each of the Debentureholders, and keep the Debenture Trustee and each of the Debentureholders, indemnified against any cost, loss, expense or liability of whatever kind resulting from the failure by the Corporation to make due and punctual payment of any of the Obligations or resulting from any of the Obligations being or becoming void, voidable, unenforceable or ineffective against the Corporation (including, but without limitation, all legal and other costs, charges and expenses incurred by the Debenture Trustee in connection with preserving or enforcing, or attempting to preserve or enforce, its rights under this Guarantee or any other document); and
- (b) pay on demand the amount of such cost, loss, expense or liability whether or not the Debenture Trustee has attempted to enforce any rights against the Corporation, any other guarantor, or any other Person or otherwise.

ARTICLE 3 GENERAL CONTRACT PROVISIONS

3.1 Notices. Any notice, direction or other communication given regarding the matters contemplated by this Guarantee shall be given in accordance with the provisions of the Trust Indenture.

3.2 Further Assurances. The Guarantor shall do, execute and deliver or shall cause to be done, executed and delivered all such further acts, documents and things as the Debenture Trustee may reasonably request for the purpose of giving effect to this Guarantee.

3.3 Indenture Covenants. The Guarantor acknowledges receipt of a true copy of the Indenture and the Security Documents which relate to the Guarantor. The Guarantor consents to and agrees to be bound by each provision in the Indenture which relates to the Guarantor including, without limitation, the provisions in the Indenture restricting the incurrence of Indebtedness (other than Permitted Indebtedness) and the creation of any Security Interest (other than Permitted Encumbrances). In addition, the Guarantor hereby covenants and agrees that it shall perform each and every term, covenant condition and agreement which the Corporation has covenanted in the Indenture to cause the Guarantor to perform, and the Guarantor shall comply with each and every term, covenant, condition and agreement which relates to the Guarantor, which the Corporation has covenanted under the Indenture to cause the Guarantor to comply with, and the Guarantor shall not do anything which would result in a breach of the Indenture or any other Security Document which relates to the Guarantor.

3.4 Severability. Wherever possible, each provision of this Guarantee shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guarantee shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guarantee.

- 3.5 Successors and Assigns.** This Guarantee shall enure to the benefit of the Debenture Trustee and each of the Debentureholders and their respective successors and assigns, and shall be binding upon the Guarantor and its successors and assigns.
- 3.6 Amendments and Waivers.** No amendment to or waiver of any provision of this Guarantee, nor consent to any departure by the Guarantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Debenture Trustee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.
- 3.7 Entire Agreement.** This Guarantee and the agreements referred to herein constitute the entire agreement between the parties hereto and supersede any prior agreements, undertakings, declarations, representations and understandings, both written and verbal, in respect of the subject matter hereof.
- 3.8 Set-Off.** In addition to any rights now or hereafter granted under applicable law, and not by way of limitation of any such rights, the Debenture Trustee is authorized upon any amounts being payable by the Guarantor to the Debenture Trustee hereunder, without notice to the Guarantor or to any other Person, any such notice being expressly waived by the Guarantor, to setoff, appropriate and apply any and all deposits, matured or unmatured, general or special, and any other indebtedness at any time held by or owing by the Debenture Trustee to or for the credit of or the account of the Guarantor against and on account of the obligations and liabilities of the Guarantor which are due and payable to the Debenture Trustee under this Guarantee.
- 3.9 No Waiver; Remedies; No Duty.** In addition to, and not in limitation of, Section 2.4 and Section 2.9, no failure on the part of the Debenture Trustee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. The Debenture Trustee has no duty or responsibility to provide the Guarantor with any credit or other information concerning the Corporation's affairs, financial condition or business which may come into the Debenture Trustee's possession.
- 3.10 Paramountcy.** In the event of any conflict or inconsistency between the provisions of this Guarantee and the provisions of the Trust Indenture, the provisions of the Trust Indenture shall prevail and be paramount, but only to the extent of such inconsistency.

[Signature Page Follows]

IN WITNESS WHEREOF the undersigned has executed and delivered this Guarantee with effect as of the date first written above.

BARBER MONUMENTS LIMITED

By: _____
Name: Scott Kellaway
Title: President

9903815.1

GUARANTEE AGREEMENT

THIS GUARANTEE AGREEMENT (this “**Guarantee**”) is dated with effect as of this ____ day of July, 2011 and executed and delivered by **R. H. VERDUYN GRANITE COMPANY LTD.** (the “**Guarantor**”) to and in favour of **COMPUTERSHARE TRUST COMPANY OF CANADA** as trustee pursuant to the Indenture referred to below (in such capacity, the “**Debenture Trustee**”) for the benefit of the Debenture Trustee and the Debentureholders as defined in the Indenture.

RECITALS:

- A. FAMILY MEMORIALS INC.** (the “**Corporation**”) is or is about to become indebted to the Debenture Trustee and the Debentureholders pursuant to certain Debentures issued or to be issued under an indenture made between the Corporation and the Debenture Trustee dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Indenture**”);
- B.** The Corporation is the sole shareholder of the Guarantor;
- C.** As security for the payment and performance of the obligations of the Corporation to the Debenture Trustee and the Debentureholders pursuant to or in connection with the Indenture, the Debentures and the other Indenture Documents (as such term is defined below), the Guarantor has agreed to guarantee the payment and performance of such obligations of the Corporation on the terms and subject to the conditions hereinafter set forth; and
- D.** It is in the best interests of the Guarantor to execute and deliver this Guarantee, inasmuch as the Guarantor will derive substantial direct and indirect benefits from the Corporation entering into the Indenture and issuing the Debentures.

NOW THEREFORE, in consideration of the amounts advanced to the Corporation by the Debentureholders in connection with the Debentures issued pursuant to the Indenture, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Guarantor, the Guarantor covenants and agrees to and in favour of the Debenture Trustee as follows:

ARTICLE 1 INTERPRETATION

1.1 Defined Terms. All capitalized terms which are used herein which are not otherwise defined herein shall have the respective meanings ascribed thereto in the Indenture. In this Guarantee or any amendment to this Guarantee, unless the context clearly indicates to the contrary:

- (a) “**Indenture Documents**” means the Indenture, the Debentures, this Guarantee, each other Security Document and any and all certificates, notices, agreements, documents and other instruments delivered or to be delivered in connection

therewith, each as amended, modified, supplemented, restated or replaced from time to time; and

- (b) **“Obligations”** means any and all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, at any time or from time to time due or accruing due and owing by or otherwise payable by the Corporation in connection with the Indenture Documents, in any currency, however or wherever incurred, and whether incurred by the Corporation alone or jointly with another or others and whether as principal, guarantor or surety and in whatever name or style, and (ii) the due performance and compliance by the Corporation with all of the terms and conditions of the Indenture Documents, as such debts, liabilities and obligations may be varied from time to time.

- 1.2 **Other Usages.** References to “this Guarantee”, “the Guarantee”, “hereof”, “herein”, “hereto” and like references refer to this Guarantee, as amended, modified, supplemented or replaced from time to time, and not to any particular Article, Section or other subdivision of this Guarantee.
- 1.3 **Plural and Singular.** Where the context so requires, words importing the singular number shall include the plural and vice versa.
- 1.4 **Headings.** The division of this Guarantee into Articles and Sections and the insertion of headings in this Guarantee are for convenience of reference only and shall not affect the construction or interpretation of this Guarantee.
- 1.5 **Applicable Law.** This Guarantee shall be governed exclusively (without regard to rules or principles relating to the conflict of laws) by and construed in accordance with the laws of the Province of Ontario and the Guarantor hereby irrevocably attorns and submits to the non-exclusive jurisdiction of any court of competent jurisdiction of the Province of Ontario sitting in Toronto in any action or proceeding arising out of or relating to this Guarantee and the other Indenture Documents to which it is a party. Any legal action or proceeding with respect to this Guarantee may be brought in the courts of the Province of Ontario and, by execution and delivery of this Guarantee, the Guarantor hereby accepts for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts. The Guarantor irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Guarantor at the address set opposite its name on the signature page hereof, such service to become effective five (5) Business Days after such mailing. Nothing herein shall limit the right of the Debenture Trustee to serve process in any manner permitted by law or to commence legal proceedings or otherwise proceed against the Guarantor in any other jurisdiction.
- 1.6 **Time of the Essence.** Time shall in all respects be of the essence of this Guarantee, and no extension or variation of this Guarantee or any obligation hereunder shall operate as a waiver of this provision.

ARTICLE 2 GUARANTEE

- 2.1 Guarantee.** The Guarantor hereby unconditionally, absolutely and irrevocably guarantees, in favour of the Debenture Trustee and each of the Debentureholders, the full and punctual payment, as and when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise, of all of the Obligations in the same currency as the currency of the Obligations, whether for principal, interest, fees, expenses, indemnities or otherwise.
- 2.2 Acceleration of Guarantee.** The Guarantor agrees that, upon the occurrence of any Event of Default which is continuing, and if such Event of Default which is continuing shall occur at a time when any of the Obligations may not then be due and payable, the Guarantor will pay to the Debenture Trustee and each of the Debentureholders forthwith the full amount which would be payable hereunder by the Guarantor if all such Obligations were then due and payable.
- 2.3 Nature of Guarantee.** This Guarantee shall in all respects be a continuing, absolute, unconditional and irrevocable guarantee of payment when due and not of collection, and shall remain in full force and effect until all of the Obligations have been paid in full, all obligations of the Guarantor hereunder have been paid in full and the obligations of the Debenture Trustee under the Indenture have been permanently terminated. The Guarantor guarantees that the Obligations will be paid strictly in accordance with the terms of the Indenture Document under which they arise, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Debenture Trustee with respect thereto (provided the Guarantor shall not be in breach of any such law, regulation or order by doing so). The Debenture Trustee shall apply all payments received from the Guarantor hereunder against the Obligations in such manner as it sees fit.
- 2.4 Liability Not Lessened or Limited.** Subject to the provisions hereof, the liability of the Guarantor is unlimited, without being lessened or limited by:
- (a) any lack of validity, legality, effectiveness or enforceability of any Indenture Document;
 - (b) the failure of the Debenture Trustee:
 - (i) to assert any claim or demand or to enforce any right or remedy against the Corporation or any other Person (including any other guarantor) under the provisions of any Indenture Document, or otherwise, or
 - (ii) to exercise any right or remedy against any other guarantor of, or collateral securing, any of the Obligations;
 - (c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other extension, compromise, indulgence or

renewal of any Obligation of the Corporation to the Debenture Trustee or any Debentureholder;

- (d) any reduction, limitation, variation, impairment, discontinuance or termination of the Obligations for any reason (other than by reason of any payment which is not required to be rescinded), including any claim of waiver, release, discharge, surrender, alteration or compromise, and shall not be subject to (and the Guarantor hereby waives any right to or claim of) any defence or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, the Obligations or otherwise (other than by reason of any payment which is not required to be rescinded);
- (e) any amendment to, rescission, waiver or other modification of, or any consent to any departure from, any of the terms of any Indenture Document or any other guarantees or security;
- (f) any addition, exchange, release, discharge, renewal, realization or non-perfection of any collateral security for the Obligations or any amendment to, or waiver or release or addition of, or consent to departure from, any other guarantee held by the Debenture Trustee as security for any of the Obligations;
- (g) the loss of or the unenforceability of any other guarantee or other security which the Debenture Trustee may now or hereafter hold for the benefit of itself or the Debentureholders in respect of the Obligations, whether occasioned by the fault of the Debenture Trustee or otherwise;
- (h) any change in the name of the Corporation or in the constating documents, capital structure, capacity or constitution of the Corporation, the bankruptcy or insolvency of the Corporation, the sale of any or all of the Corporation's business or assets or the Corporation being consolidated, merged or amalgamated with any other Person; or
- (i) any other circumstance (other than final payment in full of all of the Obligations) which might otherwise constitute a defence available to, or a legal or equitable discharge of, the Corporation, any surety or any other guarantor.

Any Obligation which may not be recoverable from the Guarantor as guarantor shall be recoverable from the Guarantor as principal debtor in respect thereof.

2.5 Debenture Trustee not Bound to Exhaust Recourse. The Debenture Trustee shall not be bound to pursue or exhaust its recourse against the Corporation or others or any security or other guarantees it may at any time hold before being entitled to payment hereunder from the Guarantor.

2.6 Enforcement. Upon any of the Obligations becoming due and payable, the Guarantor shall forthwith pay to the Debenture Trustee the total amount of such Obligations and the Debenture Trustee may apply the sum so paid against such of such Obligations as the

Debenture Trustee may see fit and change any such application in whole or in part from time to time. A written statement of the Debenture Trustee as to the amount remaining unpaid to the Debenture Trustee and the Debentureholders by the Corporation at any time shall be conclusive evidence against the Guarantor, absent manifest error, as to the amount remaining unpaid to the Debenture Trustee and the Debentureholders by the Corporation at such time.

- 2.7 Guarantee in Addition to Other Security.** This Guarantee shall be in addition to and not in substitution for any other guarantee or other security which the Debenture Trustee may now or hereafter hold for the benefit of itself and the Debentureholders in respect of the Obligations, and the Debenture Trustee shall be under no obligation to marshal in favour of the Guarantor any other guarantee or other security or any moneys or other assets which the Debenture Trustee may be entitled to receive or may have a claim upon.
- 2.8 Reinstatement.** This Guarantee and all other terms of this Guarantee shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment (in whole or in part) of any of the Obligations is rescinded or must otherwise be returned or restored by the Debenture Trustee by reason of the insolvency, bankruptcy or reorganization of the Corporation or for any other reason not involving the wilful misconduct of the Debenture Trustee, all as though such payment had not been made.
- 2.9 Waiver of Notice, etc.** To the extent permitted by applicable law, the Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Guarantee.
- 2.10 Advances After Certain Events.** All advances, renewals and credits made or granted by the Debenture Trustee or any of the Debentureholders purportedly to or for the Corporation after the bankruptcy or insolvency of the Corporation, but before the Debenture Trustee has received notice thereof, shall be deemed to form part of the Obligations, and all advances, renewals and credits obtained from the Debenture Trustee or any of the Debentureholders purportedly by or on behalf of the Corporation shall be deemed to form part of the Obligations, notwithstanding any lack or limitation of power, incapacity or disability of the Corporation or of the directors or agents thereof and notwithstanding that the Corporation may not be a legal entity and notwithstanding any irregularity, defect or informality in the obtaining of such advances, renewals or credits, whether or not the Debenture Trustee has knowledge thereof. The Guarantor will indemnify the Debenture Trustee and each of the Debentureholders for any such advance, renewal or credit that is not repaid to the Debenture Trustee or the Debentureholders, as applicable.
- 2.11 Subordination.** Until all of the Obligations are fully and irrevocably discharged in full, the Guarantor agrees that any and all present and future debts and obligations of the Corporation to the Guarantor are hereby fully subordinated in all respects to the claims of the Debenture Trustee for the benefit of the Debentureholders as security for its obligations hereunder.

2.12 Indemnity. As an original and independent obligation under this Guarantee, the Guarantor shall:

- (a) indemnify the Debenture Trustee and each of the Debentureholders, and keep the Debenture Trustee and each of the Debentureholders, indemnified against any cost, loss, expense or liability of whatever kind resulting from the failure by the Corporation to make due and punctual payment of any of the Obligations or resulting from any of the Obligations being or becoming void, voidable, unenforceable or ineffective against the Corporation (including, but without limitation, all legal and other costs, charges and expenses incurred by the Debenture Trustee in connection with preserving or enforcing, or attempting to preserve or enforce, its rights under this Guarantee or any other document); and
- (b) pay on demand the amount of such cost, loss, expense or liability whether or not the Debenture Trustee has attempted to enforce any rights against the Corporation, any other guarantor, or any other Person or otherwise.

ARTICLE 3 GENERAL CONTRACT PROVISIONS

3.1 Notices. Any notice, direction or other communication given regarding the matters contemplated by this Guarantee shall be given in accordance with the provisions of the Trust Indenture.

3.2 Further Assurances. The Guarantor shall do, execute and deliver or shall cause to be done, executed and delivered all such further acts, documents and things as the Debenture Trustee may reasonably request for the purpose of giving effect to this Guarantee.

3.3 Indenture Covenants. The Guarantor acknowledges receipt of a true copy of the Indenture and the Security Documents which relate to the Guarantor. The Guarantor consents to and agrees to be bound by each provision in the Indenture which relates to the Guarantor including, without limitation, the provisions in the Indenture restricting the incurrence of Indebtedness (other than Permitted Indebtedness) and the creation of any Security Interest (other than Permitted Encumbrances). In addition, the Guarantor hereby covenants and agrees that it shall perform each and every term, covenant condition and agreement which the Corporation has covenanted in the Indenture to cause the Guarantor to perform, and the Guarantor shall comply with each and every term, covenant, condition and agreement which relates to the Guarantor, which the Corporation has covenanted under the Indenture to cause the Guarantor to comply with, and the Guarantor shall not do anything which would result in a breach of the Indenture or any other Security Document which relates to the Guarantor.

3.4 Severability. Wherever possible, each provision of this Guarantee shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guarantee shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guarantee.

- 3.5 Successors and Assigns.** This Guarantee shall enure to the benefit of the Debenture Trustee and each of the Debentureholders and their respective successors and assigns, and shall be binding upon the Guarantor and its successors and assigns.
- 3.6 Amendments and Waivers.** No amendment to or waiver of any provision of this Guarantee, nor consent to any departure by the Guarantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Debenture Trustee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.
- 3.7 Entire Agreement.** This Guarantee and the agreements referred to herein constitute the entire agreement between the parties hereto and supersede any prior agreements, undertakings, declarations, representations and understandings, both written and verbal, in respect of the subject matter hereof.
- 3.8 Set-Off.** In addition to any rights now or hereafter granted under applicable law, and not by way of limitation of any such rights, the Debenture Trustee is authorized upon any amounts being payable by the Guarantor to the Debenture Trustee hereunder, without notice to the Guarantor or to any other Person, any such notice being expressly waived by the Guarantor, to setoff, appropriate and apply any and all deposits, matured or unmatured, general or special, and any other indebtedness at any time held by or owing by the Debenture Trustee to or for the credit of or the account of the Guarantor against and on account of the obligations and liabilities of the Guarantor which are due and payable to the Debenture Trustee under this Guarantee.
- 3.9 No Waiver; Remedies; No Duty.** In addition to, and not in limitation of, Section 2.4 and Section 2.9, no failure on the part of the Debenture Trustee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. The Debenture Trustee has no duty or responsibility to provide the Guarantor with any credit or other information concerning the Corporation's affairs, financial condition or business which may come into the Debenture Trustee's possession.
- 3.10 Paramountcy.** In the event of any conflict or inconsistency between the provisions of this Guarantee and the provisions of the Trust Indenture, the provisions of the Trust Indenture shall prevail and be paramount, but only to the extent of such inconsistency.

[Signature Page Follows]

IN WITNESS WHEREOF the undersigned has executed and delivered this Guarantee with effect as of the date first written above.

**R. H. VERDUYN GRANITE COMPANY
LTD.**

By: _____
Name: Scott Kellaway
Title: President

9903791.1

GUARANTEE AGREEMENT

THIS GUARANTEE AGREEMENT (this “**Guarantee**”) is dated with effect as of this _____ day of July, 2011 and executed and delivered by **SOMERVILLE MEMORIALS LTD.** (the “**Guarantor**”) to and in favour of **COMPUTERSHARE TRUST COMPANY OF CANADA** as trustee pursuant to the Indenture referred to below (in such capacity, the “**Debenture Trustee**”) for the benefit of the Debenture Trustee and the Debentureholders as defined in the Indenture.

RECITALS:

- A. FAMILY MEMORIALS INC.** (the “**Corporation**”) is or is about to become indebted to the Debenture Trustee and the Debentureholders pursuant to certain Debentures issued or to be issued under an indenture made between the Corporation and the Debenture Trustee dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Indenture**”);
- B.** The Corporation is the sole shareholder of the Guarantor;
- C.** As security for the payment and performance of the obligations of the Corporation to the Debenture Trustee and the Debentureholders pursuant to or in connection with the Indenture, the Debentures and the other Indenture Documents (as such term is defined below), the Guarantor has agreed to guarantee the payment and performance of such obligations of the Corporation on the terms and subject to the conditions hereinafter set forth; and
- D.** It is in the best interests of the Guarantor to execute and deliver this Guarantee, inasmuch as the Guarantor will derive substantial direct and indirect benefits from the Corporation entering into the Indenture and issuing the Debentures.

NOW THEREFORE, in consideration of the amounts advanced to the Corporation by the Debentureholders in connection with the Debentures issued pursuant to the Indenture, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Guarantor, the Guarantor covenants and agrees to and in favour of the Debenture Trustee as follows:

ARTICLE 1 INTERPRETATION

1.1 Defined Terms. All capitalized terms which are used herein which are not otherwise defined herein shall have the respective meanings ascribed thereto in the Indenture. In this Guarantee or any amendment to this Guarantee, unless the context clearly indicates to the contrary:

- (a) “**Indenture Documents**” means the Indenture, the Debentures, this Guarantee, each other Security Document and any and all certificates, notices, agreements, documents and other instruments delivered or to be delivered in connection

therewith, each as amended, modified, supplemented, restated or replaced from time to time; and

- (b) **“Obligations”** means any and all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, at any time or from time to time due or accruing due and owing by or otherwise payable by the Corporation in connection with the Indenture Documents, in any currency, however or wherever incurred, and whether incurred by the Corporation alone or jointly with another or others and whether as principal, guarantor or surety and in whatever name or style, and (ii) the due performance and compliance by the Corporation with all of the terms and conditions of the Indenture Documents, as such debts, liabilities and obligations may be varied from time to time.

- 1.2 **Other Usages.** References to “this Guarantee”, “the Guarantee”, “hereof”, “herein”, “hereto” and like references refer to this Guarantee, as amended, modified, supplemented or replaced from time to time, and not to any particular Article, Section or other subdivision of this Guarantee.
- 1.3 **Plural and Singular.** Where the context so requires, words importing the singular number shall include the plural and vice versa.
- 1.4 **Headings.** The division of this Guarantee into Articles and Sections and the insertion of headings in this Guarantee are for convenience of reference only and shall not affect the construction or interpretation of this Guarantee.
- 1.5 **Applicable Law.** This Guarantee shall be governed exclusively (without regard to rules or principles relating to the conflict of laws) by and construed in accordance with the laws of the Province of Ontario and the Guarantor hereby irrevocably attorns and submits to the non-exclusive jurisdiction of any court of competent jurisdiction of the Province of Ontario sitting in Toronto in any action or proceeding arising out of or relating to this Guarantee and the other Indenture Documents to which it is a party. Any legal action or proceeding with respect to this Guarantee may be brought in the courts of the Province of Ontario and, by execution and delivery of this Guarantee, the Guarantor hereby accepts for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts. The Guarantor irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Guarantor at the address set opposite its name on the signature page hereof, such service to become effective five (5) Business Days after such mailing. Nothing herein shall limit the right of the Debenture Trustee to serve process in any manner permitted by law or to commence legal proceedings or otherwise proceed against the Guarantor in any other jurisdiction.
- 1.6 **Time of the Essence.** Time shall in all respects be of the essence of this Guarantee, and no extension or variation of this Guarantee or any obligation hereunder shall operate as a waiver of this provision.

ARTICLE 2 GUARANTEE

- 2.1 Guarantee.** The Guarantor hereby unconditionally, absolutely and irrevocably guarantees, in favour of the Debenture Trustee and each of the Debentureholders, the full and punctual payment, as and when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise, of all of the Obligations in the same currency as the currency of the Obligations, whether for principal, interest, fees, expenses, indemnities or otherwise.
- 2.2 Acceleration of Guarantee.** The Guarantor agrees that, upon the occurrence of any Event of Default which is continuing, and if such Event of Default which is continuing shall occur at a time when any of the Obligations may not then be due and payable, the Guarantor will pay to the Debenture Trustee and each of the Debentureholders forthwith the full amount which would be payable hereunder by the Guarantor if all such Obligations were then due and payable.
- 2.3 Nature of Guarantee.** This Guarantee shall in all respects be a continuing, absolute, unconditional and irrevocable guarantee of payment when due and not of collection, and shall remain in full force and effect until all of the Obligations have been paid in full, all obligations of the Guarantor hereunder have been paid in full and the obligations of the Debenture Trustee under the Indenture have been permanently terminated. The Guarantor guarantees that the Obligations will be paid strictly in accordance with the terms of the Indenture Document under which they arise, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Debenture Trustee with respect thereto (provided the Guarantor shall not be in breach of any such law, regulation or order by doing so). The Debenture Trustee shall apply all payments received from the Guarantor hereunder against the Obligations in such manner as it sees fit.
- 2.4 Liability Not Lessened or Limited.** Subject to the provisions hereof, the liability of the Guarantor is unlimited, without being lessened or limited by:
- (a) any lack of validity, legality, effectiveness or enforceability of any Indenture Document;
 - (b) the failure of the Debenture Trustee:
 - (i) to assert any claim or demand or to enforce any right or remedy against the Corporation or any other Person (including any other guarantor) under the provisions of any Indenture Document, or otherwise, or
 - (ii) to exercise any right or remedy against any other guarantor of, or collateral securing, any of the Obligations;
 - (c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other extension, compromise, indulgence or

renewal of any Obligation of the Corporation to the Debenture Trustee or any Debentureholder;

- (d) any reduction, limitation, variation, impairment, discontinuance or termination of the Obligations for any reason (other than by reason of any payment which is not required to be rescinded), including any claim of waiver, release, discharge, surrender, alteration or compromise, and shall not be subject to (and the Guarantor hereby waives any right to or claim of) any defence or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, the Obligations or otherwise (other than by reason of any payment which is not required to be rescinded);
- (e) any amendment to, rescission, waiver or other modification of, or any consent to any departure from, any of the terms of any Indenture Document or any other guarantees or security;
- (f) any addition, exchange, release, discharge, renewal, realization or non-perfection of any collateral security for the Obligations or any amendment to, or waiver or release or addition of, or consent to departure from, any other guarantee held by the Debenture Trustee as security for any of the Obligations;
- (g) the loss of or the unenforceability of any other guarantee or other security which the Debenture Trustee may now or hereafter hold for the benefit of itself or the Debentureholders in respect of the Obligations, whether occasioned by the fault of the Debenture Trustee or otherwise;
- (h) any change in the name of the Corporation or in the constating documents, capital structure, capacity or constitution of the Corporation, the bankruptcy or insolvency of the Corporation, the sale of any or all of the Corporation's business or assets or the Corporation being consolidated, merged or amalgamated with any other Person; or
- (i) any other circumstance (other than final payment in full of all of the Obligations) which might otherwise constitute a defence available to, or a legal or equitable discharge of, the Corporation, any surety or any other guarantor.

Any Obligation which may not be recoverable from the Guarantor as guarantor shall be recoverable from the Guarantor as principal debtor in respect thereof.

2.5 Debenture Trustee not Bound to Exhaust Recourse. The Debenture Trustee shall not be bound to pursue or exhaust its recourse against the Corporation or others or any security or other guarantees it may at any time hold before being entitled to payment hereunder from the Guarantor.

2.6 Enforcement. Upon any of the Obligations becoming due and payable, the Guarantor shall forthwith pay to the Debenture Trustee the total amount of such Obligations and the Debenture Trustee may apply the sum so paid against such of such Obligations as the

Debenture Trustee may see fit and change any such application in whole or in part from time to time. A written statement of the Debenture Trustee as to the amount remaining unpaid to the Debenture Trustee and the Debentureholders by the Corporation at any time shall be conclusive evidence against the Guarantor, absent manifest error, as to the amount remaining unpaid to the Debenture Trustee and the Debentureholders by the Corporation at such time.

- 2.7 Guarantee in Addition to Other Security.** This Guarantee shall be in addition to and not in substitution for any other guarantee or other security which the Debenture Trustee may now or hereafter hold for the benefit of itself and the Debentureholders in respect of the Obligations, and the Debenture Trustee shall be under no obligation to marshal in favour of the Guarantor any other guarantee or other security or any moneys or other assets which the Debenture Trustee may be entitled to receive or may have a claim upon.
- 2.8 Reinstatement.** This Guarantee and all other terms of this Guarantee shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment (in whole or in part) of any of the Obligations is rescinded or must otherwise be returned or restored by the Debenture Trustee by reason of the insolvency, bankruptcy or reorganization of the Corporation or for any other reason not involving the wilful misconduct of the Debenture Trustee, all as though such payment had not been made.
- 2.9 Waiver of Notice, etc.** To the extent permitted by applicable law, the Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Guarantee.
- 2.10 Advances After Certain Events.** All advances, renewals and credits made or granted by the Debenture Trustee or any of the Debentureholders purportedly to or for the Corporation after the bankruptcy or insolvency of the Corporation, but before the Debenture Trustee has received notice thereof, shall be deemed to form part of the Obligations, and all advances, renewals and credits obtained from the Debenture Trustee or any of the Debentureholders purportedly by or on behalf of the Corporation shall be deemed to form part of the Obligations, notwithstanding any lack or limitation of power, incapacity or disability of the Corporation or of the directors or agents thereof and notwithstanding that the Corporation may not be a legal entity and notwithstanding any irregularity, defect or informality in the obtaining of such advances, renewals or credits, whether or not the Debenture Trustee has knowledge thereof. The Guarantor will indemnify the Debenture Trustee and each of the Debentureholders for any such advance, renewal or credit that is not repaid to the Debenture Trustee or the Debentureholders, as applicable.
- 2.11 Subordination.** Until all of the Obligations are fully and irrevocably discharged in full, the Guarantor agrees that any and all present and future debts and obligations of the Corporation to the Guarantor are hereby fully subordinated in all respects to the claims of the Debenture Trustee for the benefit of the Debentureholders as security for its obligations hereunder.

2.12 Indemnity. As an original and independent obligation under this Guarantee, the Guarantor shall:

- (a) indemnify the Debenture Trustee and each of the Debentureholders, and keep the Debenture Trustee and each of the Debentureholders, indemnified against any cost, loss, expense or liability of whatever kind resulting from the failure by the Corporation to make due and punctual payment of any of the Obligations or resulting from any of the Obligations being or becoming void, voidable, unenforceable or ineffective against the Corporation (including, but without limitation, all legal and other costs, charges and expenses incurred by the Debenture Trustee in connection with preserving or enforcing, or attempting to preserve or enforce, its rights under this Guarantee or any other document); and
- (b) pay on demand the amount of such cost, loss, expense or liability whether or not the Debenture Trustee has attempted to enforce any rights against the Corporation, any other guarantor, or any other Person or otherwise.

ARTICLE 3 GENERAL CONTRACT PROVISIONS

3.1 Notices. Any notice, direction or other communication given regarding the matters contemplated by this Guarantee shall be given in accordance with the provisions of the Trust Indenture.

3.2 Further Assurances. The Guarantor shall do, execute and deliver or shall cause to be done, executed and delivered all such further acts, documents and things as the Debenture Trustee may reasonably request for the purpose of giving effect to this Guarantee.

3.3 Indenture Covenants. The Guarantor acknowledges receipt of a true copy of the Indenture and the Security Documents which relate to the Guarantor. The Guarantor consents to and agrees to be bound by each provision in the Indenture which relates to the Guarantor including, without limitation, the provisions in the Indenture restricting the incurrence of Indebtedness (other than Permitted Indebtedness) and the creation of any Security Interest (other than Permitted Encumbrances). In addition, the Guarantor hereby covenants and agrees that it shall perform each and every term, covenant condition and agreement which the Corporation has covenanted in the Indenture to cause the Guarantor to perform, and the Guarantor shall comply with each and every term, covenant, condition and agreement which relates to the Guarantor, which the Corporation has covenanted under the Indenture to cause the Guarantor to comply with, and the Guarantor shall not do anything which would result in a breach of the Indenture or any other Security Document which relates to the Guarantor.

3.4 Severability. Wherever possible, each provision of this Guarantee shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guarantee shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guarantee.

- 3.5 Successors and Assigns.** This Guarantee shall enure to the benefit of the Debenture Trustee and each of the Debentureholders and their respective successors and assigns, and shall be binding upon the Guarantor and its successors and assigns.
- 3.6 Amendments and Waivers.** No amendment to or waiver of any provision of this Guarantee, nor consent to any departure by the Guarantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Debenture Trustee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.
- 3.7 Entire Agreement.** This Guarantee and the agreements referred to herein constitute the entire agreement between the parties hereto and supersede any prior agreements, undertakings, declarations, representations and understandings, both written and verbal, in respect of the subject matter hereof.
- 3.8 Set-Off.** In addition to any rights now or hereafter granted under applicable law, and not by way of limitation of any such rights, the Debenture Trustee is authorized upon any amounts being payable by the Guarantor to the Debenture Trustee hereunder, without notice to the Guarantor or to any other Person, any such notice being expressly waived by the Guarantor, to setoff, appropriate and apply any and all deposits, matured or unmatured, general or special, and any other indebtedness at any time held by or owing by the Debenture Trustee to or for the credit of or the account of the Guarantor against and on account of the obligations and liabilities of the Guarantor which are due and payable to the Debenture Trustee under this Guarantee.
- 3.9 No Waiver; Remedies; No Duty.** In addition to, and not in limitation of, Section 2.4 and Section 2.9, no failure on the part of the Debenture Trustee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. The Debenture Trustee has no duty or responsibility to provide the Guarantor with any credit or other information concerning the Corporation's affairs, financial condition or business which may come into the Debenture Trustee's possession.
- 3.10 Paramountcy.** In the event of any conflict or inconsistency between the provisions of this Guarantee and the provisions of the Trust Indenture, the provisions of the Trust Indenture shall prevail and be paramount, but only to the extent of such inconsistency.

[Signature Page Follows]

IN WITNESS WHEREOF the undersigned has executed and delivered this Guarantee with effect as of the date first written above.

SOMERVILLE MEMORIALS LTD.

By: _____
Name: Scott Kellaway
Title: President

9903846.1

SCHEDULE “E”

**FORM OF
SECURITY AGREEMENTS**

**TO THE DEBENTURE INDENTURE BETWEEN FAMILY MEMORIALS INC. AND
COMPUTERSHARE TRUST COMPANY OF CANADA**

GENERAL SECURITY AGREEMENT

THIS GENERAL SECURITY AGREEMENT (this “**Agreement**”) is dated with effect as of this ____ day of July, 2011 by **BARBER MONUMENTS LIMITED** (the “**Debtor**”) to and in favour of **COMPUTERSHARE TRUST COMPANY OF CANADA** as the Debenture Trustee for and on behalf of itself and the Debentureholders (as such term is defined in the Indenture referred to below) (the “**Secured Party**”).

RECITALS:

- A. **FAMILY MEMORIALS INC.** (the “**Corporation**”) is or is about to become indebted to the Secured Party and the Debentureholders (collectively, the “**Beneficiaries**”) pursuant or in connection with certain Debentures issued or to be issued pursuant to an indenture made between the Corporation and the Secured Party dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Indenture**”);
- B. In connection with the Indenture, the Debtor has executed and delivered a guarantee of the Corporation’s obligations to the Secured Party and the Beneficiaries, dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Guarantee**”); and
- C. As security for the obligations of the Debtor under the Guarantee, the Debtor desires to create in favour of the Secured Party for the benefit of the Beneficiaries a security interest in all of the property and assets of the Debtor, as hereinafter provided.

NOW THEREFORE, in consideration of the amounts advanced to the Corporation by the Debentureholders in connection with the Debentures issued pursuant to the Indenture, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor covenants and agrees to and in favour of the Secured Party as follows:

ARTICLE 1 - DEFINITIONS; INTERPRETATION

1.1 Defined Terms

Except as otherwise expressly provided herein, capitalized terms used in this Agreement but not defined herein shall have the meanings assigned to such terms in the Indenture. In this Agreement or any amendment to this Agreement, unless the context clearly indicates to the contrary:

- (a) “**Encumbrance**” means any security interest, mortgage, hypothec, deed of trust, trust or other adverse claim or right, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a Person, whether now owned or subsequently acquired and whether arising by agreement, statute or operation of law.

- (b) **“Indenture Documents”** means the Indenture, the Debentures, the Guarantee, this Agreement and any other Security Documents and any agreements, documents or other instruments executed in connection therewith;
- (c) **“Intellectual Property Collateral”** means the following properties and assets owned or held by the Debtor or in which the Debtor otherwise has any interest, now existing or hereafter acquired or arising:
 - (i) all patents and patent applications, domestic or foreign, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, all rights to sue for past, present or future infringement thereof, all rights arising therefrom and pertaining thereto and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof;
 - (ii) all copyrights and applications for copyright, domestic or foreign, together with the underlying works of authorship (including titles), whether or not the underlying works of authorship have been published and whether said copyrights are statutory or arise under the common law, and all other rights and works of authorship, all computer programs, computer databases, computer program flow diagrams, source codes, object codes and all tangible property embodying or incorporating any copyrights, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, and all other rights, claims and demands in any way relating to any such copyrights or works, including royalties and rights to sue for past, present or future infringement, and all rights of renewal and extension of copyright; and
 - (iii) all state and provincial (including common law), federal and foreign trade-marks, service marks and trade names, and applications for registration of such trade-marks, service marks and trade names, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, whether registered or unregistered and wherever registered, all rights to sue for past, present or future infringement or unconsented thereof, all rights arising therefrom and pertaining thereto and all reissues, extensions and renewals thereof;
- (d) **“Receiver”** has the meaning ascribed thereto in Section 7.4; and
- (e) **“Rights to Payment”** has the meaning ascribed thereto in Section 4.8.

1.2 Terms Defined in Ontario Personal Property Security Act

Where applicable and except as defined herein, terms used herein shall have the meanings assigned to them in the *Personal Property Security Act* as the same may, from time to time, be in effect in the Province of Ontario (the “PPSA”). Such terms include: “accounts”, “chattel paper”, “documents of title”, “equipment”, “intangibles”,

“instruments”, “inventory”, “investment property”, “money”, “proceeds” and “security”.

ARTICLE 2 - GRANT OF SECURITY INTEREST; COLLATERAL

2.1 Grant of Security Interest

As security for the payment and performance of the Secured Obligations (as defined in Section 3), the Debtor hereby:

- (a) mortgages and charges to the Secured Party for the benefit of the Beneficiaries, and charges and grants to the Secured Party for the benefit of the Beneficiaries, a security interest in, to and under, all of its personal property and all proceeds thereof, wherever located and whether now existing or hereafter acquired or arising, including, without limitation, the following property:
 - (i) all present and future investment property held by the Debtor, including securities, security entitlements, securities accounts, future contracts, future accounts, shares, options, rights, warrants, joint venture interests, interests in limited partnerships, trust units, bonds, debentures and all other documents which constitute evidence of a share, participation or interest of the Debtor in property or in an enterprise or which constitute evidence of an obligation of the issuer; and all substitutions therefore, and subject to Section 6.2, dividends and income derived therefrom, all of which are herein called the “**Pledged Collateral**”;
 - (ii) all accounts and book debts of the Debtor, chattel paper, documents of title, instruments, and intangibles of the Debtor, including all debts, dues, claims choses in action and demands of every nature and kind, howsoever arising or secured, including letters of credit, guarantees and advices of credit that are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by the Debtor, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, and all supporting obligations of any or all of the forgoing (“**Accounts**”);
 - (iii) all inventory of the Debtor, including all merchandise, goods and other personal property that are held for sale or lease or that have been leased by the Debtor or that are to be furnished under a contract of service, all raw materials, work in process, materials used or consumed in the Debtor’s business and finished goods, all goods in which the Debtor has an interest in mass or a joint or other interest or gifts of any kind (including goods in which the Debtor has an interest or right as consignee), and all goods which are returned to or repossessed by the Debtor, together with all additions and accessions thereto and replacements therefor and products thereof and documents therefor (“**Inventory**”);

- (iv) all equipment of the Debtor and all parts thereof and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor, including, all machinery, tools, dies, blueprints, catalogues, computer hardware and software, furniture, furnishings, vehicles and fixtures (“**Equipment**”);
- (v) all Intellectual Property Collateral;
- (vi) all money maintained in a deposit or other account in the Debtor’s name with any financial institution, and all certificates, instruments and other writings, if any, from time to time representing, evidencing or deposited into such accounts, and all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing;
- (vii) all now existing and hereafter arising contracts and agreements to which the Debtor is party (each, an “**Assigned Agreement**”), including, without limitation, all rights of the Debtor to receive moneys due and to become due under or pursuant to the Assigned Agreements, all rights of the Debtor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements, all claims of the Debtor for damages arising out of or for breach of or default under the Assigned Agreements, and all rights of the Debtor to terminate, amend, supplement or modify the Assigned Agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder; *provided, however,* that with respect to any such contract or agreement where the grant of a security interest in the Debtor’s right, title and interest therein is prohibited by the terms thereof, or would give any other party the right to terminate its obligations thereunder, or is not permitted because any necessary consent to such grant has not been obtained, (A) the Debtor shall hold such contract or agreement in trust for the Secured Party (for the benefit of the Beneficiaries) and the Collateral (as defined below) shall include only the rights of the Debtor to receive moneys due and to become due, if any, under or pursuant to such contract or agreement, and (B) the Debtor shall, following the occurrence of an Event of Default that is continuing, assign any such contract or agreement as directed by the Secured Party, whereupon it shall form part of the Collateral;
- (viii) all books, records, writings, databases, information and other property relating to, used or useful in connection with, embodying, incorporating or referring to, any of the Collateral;
- (ix) all cash and cash equivalents held by the Debtor not otherwise included in the description of the Debtor’s property in this Section 2.1; and
- (x) all products and proceeds of the Collateral (with the term “**proceeds**” having the meaning provided in the PPSA and also including any

voluntary or involuntary disposition, and all rights to payment, including return premiums, with respect to any insurance);

- (b) grants, mortgages and charges, to and in favour of the Secured Party, as and by way of a fixed and specific mortgage and charge, and as and by way of a floating charge, all of its currently owned and held or hereafter acquired real property and interests therein of every nature and kind and wherever situate; and
- (c) grants, mortgages and charges, to and in favour of the Secured Party, as and by way of a floating charge, all of its currently owned and held or hereafter acquired property, assets and undertakings of every nature and kind and wherever situate, except such of its property, assets, undertakings and interests as are validly subject to the mortgages, charges and security interests granted pursuant to Sections 2.1(a) and (b).

2.2 Collateral.

The term “**Collateral**” means, collectively, all of the Debtor’s right, title and interest in and to all of the Debtor’s present and after-acquired property (real and personal), assets and undertakings, and all proceeds thereof (except the property of the Debtor described in Section 2.3) of whatsoever nature and kind and wherever situate including without limiting the generality of the foregoing all of the property described in Section 2.1.

2.3 Excluded Collateral

Notwithstanding Section 2.1, the Collateral shall not include: (a) any property held in trust by the Debtor and lawfully belonging to others, (b) the last day of the term of any lease of real property, provided that the Debtor shall stand possessed of such last day and shall assign and transfer such interest as instructed by the Secured Party; (c) with respect to Section 2.1(a)(iii), any consumer goods used as such by the Debtor; or (d) the interests described in the proviso to Section 2.1(a)(vii) as being excluded from the Collateral.

2.4 Debtor Remains Liable

Anything herein to the contrary notwithstanding, (a) the Debtor shall remain liable under all Assigned Agreements, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Debtor from any of its duties or obligations under such Assigned Agreements, and (c) neither the Secured Party nor any of the Beneficiaries shall have any obligation or liability under any Assigned Agreements by reason of this Agreement, nor shall the Secured Party or any of the Beneficiaries be obligated to perform any of the obligations or duties of the Debtor thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Collateral hereunder.

2.5 Continuing Security Interest

The Debtor agrees that this Agreement shall create a general collateral continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 9.12.

2.6 Attachment

The Debtor acknowledges that the security interest created hereby attaches to existing Collateral upon the execution of this Agreement and that such security interest will attach to Collateral acquired after the date of execution of this Agreement at the time that the Debtor acquires rights in that Collateral. The Debtor and the Secured Party agree that value has been given. The Debtor represents and warrants that it has rights in the existing Collateral.

2.7 Unlimited Liability Companies

Nothing in this Agreement or any other agreement between the Debtor and the Secured Party is intended to, and nothing in this Agreement or any other agreement between the Debtor and the Secured Party will, constitute the Secured Party or any person other than the Debtor, a shareholder or member of any unlimited liability company (“**ULC**”) for the purposes of (to the extent applicable) the *Companies Act* (Nova Scotia), the *Business Corporations Act* (Alberta), the *Business Corporations Act* (British Columbia) or any other applicable incorporation statute which provides for ULCs until notice is given to the Debtor and further steps are taken to register the Secured Party or other person as holder of shares or other interests in the ULC (“**ULC Shares**”). To the extent that any provision of this Agreement would have the effect of constituting the Secured Party as a shareholder or member of a ULC, that provision will be severed from this Security Agreement and ineffective without otherwise invalidating or rendering unenforceable: (a) this Agreement; or (b) that provision to the extent that it relates to Collateral other than ULC Shares.

ARTICLE 3 - SECURED OBLIGATIONS

3.1 Secured Obligations

The obligations secured by this Agreement shall consist of all indebtedness, obligations and liabilities of the Debtor to the Secured Party or the Beneficiaries, including, without limitation, those arising under, in connection with, and relating to the Indenture Documents, whether now existing or hereafter arising, as principal or surety, voluntary or involuntary, whether or not jointly owed with others, direct or indirect, absolute or contingent, liquidated or unliquidated, and whether or not from time to time decreased or extinguished and later increased, created or incurred, together with all expenses (including reasonable legal fees on a solicitor and client basis) incurred by the Secured Party, any receiver, receiver-manager or agent in the preparation, perfection and enforcement of security and other agreements held by the Secured Party in respect of such obligations and liabilities and interest thereon (all of which obligations, liabilities, expenses and interest are referred to collectively as the “**Secured Obligations**”).

ARTICLE 4 - REPRESENTATIONS AND WARRANTIES

In addition to all representations and warranties of the Debtor set forth in the other Indenture Documents, which are incorporated herein by this reference, the Debtor hereby represents and warrants that:

4.1 Sole Owner

The Debtor is the sole owner of and has good and marketable title to the Collateral (or will be the sole owner of and will have good and marketable title to, in the case of after-acquired Collateral).

4.2 No Adverse Claim

No Person has (or, in the case of after-acquired Collateral, at the time the Debtor acquires rights therein, will have) any right, title, claim or interest (by way of security interest or other Encumbrance, adverse rights or claims or other Encumbrances) in, against or to the Collateral other than Permitted Encumbrances.

4.3 Full Disclosure

All information herein supplied to the Secured Party by or on behalf of the Debtor with respect to the Collateral is accurate and complete in all material respects as of the date hereof.

4.4 Delivery of Collateral

The Debtor has delivered to the Secured Party all instruments and chattel paper and other items of Collateral in which a security interest is or may be perfected by possession, together with such additional writings, including assignments, with respect thereto as the Secured Party shall request.

4.5 Intellectual Property

All of the patents, trade-marks, and copyrights of the Debtor have been registered or applied to be registered with the United States Patent and Trademark Office, the United States Copyright Office or the Canadian Intellectual Property Office, as appropriate.

4.6 Chief Executive Office; Trade Names; Collateral Location; Records Location

The Debtor's chief executive office is in the Province of Ontario; the only trade name(s) or style(s) used by the Debtor are listed on **Schedule "A"**; and, the Debtor's records concerning the Collateral are located at its chief executive office. The Debtor has not, except as disclosed on **Schedule "A"** hereto, at any time in the past: (a) been known as or used any other corporate, trade or fictitious name; (b) changed its name; (c) been the surviving or resulting corporation in a merger or consolidation; or (d) acquired through asset purchase or otherwise any business of any Person.

4.7 Enforceability; Priority of Security Interest

- (a) This Agreement creates a security interest which is enforceable against the Collateral in which the Debtor now has rights and will create a security interest which is enforceable against the Collateral in which the Debtor hereafter acquires rights at the time the Debtor acquires any such rights; and (b) the Secured Party, on behalf of the Beneficiaries, has a perfected and (subject only to Permitted Encumbrances) first priority security interest in the Collateral, in which the Debtor now has rights, and will have a perfected and (subject only to Permitted Encumbrances) first priority security interest in the Collateral in which the Debtor hereafter acquires rights at the time the Debtor acquires any such rights, in each case securing the payment and performance of the Secured Obligations.

4.8 Rights to Payment

- (a) The Accounts and any and all of the Debtor's rights and claims to the payment or receipt of money or other forms of consideration of any kind in, to and under or with respect to its chattel paper, documents of title, intangibles, instruments, proceeds and supporting obligations (collectively, "**Rights to Payment**") represent valid, binding and enforceable obligations of the account debtors or other Persons obligated thereon, representing undisputed, *bona fide* transactions completed in accordance with the terms and provisions contained in any documents related thereto, and are genuine, free from any Encumbrances and not subject to any adverse claims, counterclaims, setoffs, defaults, disputes, defenses, discounts, retainages, holdbacks or conditions precedent of any kind of character, except to the extent reflected by the Debtor's reserves for uncollectible Rights to Payment or to the extent, if any, that such account debtors or other Persons may be entitled to normal and ordinary course trade discounts, returns, adjustments and allowances in accordance with Section 5.13 or as otherwise disclosed to the Secured Party in writing;
- (b) to the best of the Debtor's knowledge, all account debtors and other obligors on the Rights to Payment are solvent and generally paying their debts as they come due;
- (c) all Rights to Payment comply with all applicable laws concerning form, content and manner of preparation and execution, including where applicable any federal or state consumer credit laws;
- (d) the Debtor has not assigned any of its rights under the Rights to Payment other than Permitted Encumbrances as provided in this Agreement or as set forth in the other Indenture Documents;
- (e) all statements made, all unpaid balances and all other information in the Debtor's books and other documentation relating to the Rights to Payment are true and correct and in all respects what they purport to be; and

- (f) the Debtor has no knowledge of any fact or circumstance which would impair the validity or collectibility of any of the Rights to Payment.

4.9 Inventory

No inventory is stored with any bailee, warehouseman or similar Person or on any premises leased to the Debtor, nor has any inventory been consigned to the Debtor or consigned by the Debtor to any Person or is held by the Debtor for any Person under any “bill and hold” or other arrangement, except as disclosed to the Secured Party in writing.

4.10 Equipment

- (a) none of the Equipment or other Collateral is affixed to real property except Collateral with respect to which the Debtor has supplied the Secured Party with all information and documentation necessary to make all fixture filings required to perfect and protect the priority of the Secured Party’s security interest in all such Collateral which may be fixtures as against all Persons having an interest in the premises to which such property may be affixed; and
- (b) none of the Equipment is leased from or to any Person, except as otherwise disclosed in writing to the Secured Party.

4.11 Valid Issuance of Pledged Collateral

All the Pledged Collateral have been, and upon issuance any Pledged Collateral will be, duly and validly issued, and are and will be fully paid and non assessable.

4.12 Capitalization of the Pledged Subsidiary

The Pledged Collateral constitutes 100% of the issued and outstanding shares of capital stock and other ownership interests of the various issuers owned by the Debtor (which, as of the date hereof, constitutes 100% of the issued and outstanding shares of capital stock and other ownership interests of each issuer).

4.13 Options, Warrants, Etc.

Other than pursuant to the Indenture Documents, no securities convertible into or exchangeable for any shares of capital stock or other ownership interests of any issuer, or any options, warrants or other commitments entitling any Person to purchase or otherwise acquire any shares of capital stock or other ownership interests of any issuer, are issued and outstanding.

4.14 Transfer Restrictions

Other than such authorizations and approvals as have been obtained by the Debtor, there are no restrictions on the transferability of the Pledged Collateral to the Secured Party or with respect to the foreclosure, transfer or disposition thereof by the Secured Party on behalf of the Beneficiaries.

4.15 Shareholders Agreements

There are no shareholders, partners or members agreements, voting trusts, proxy agreements or other agreements or understandings which affect or relate to the voting or giving of written consents with respect to any of the Pledged Collateral.

4.16 Pledged Collateral

The Debtor is not in default in the payment of any portion of any mandatory capital contribution, if any, required to be made under any agreement to which the Debtor is a party relating to the Pledged Collateral pledged by it, and the Debtor is not in violation of any other provisions of any such agreement to which the Debtor is a party, or otherwise in default or violation thereunder. No Pledged Collateral pledged by the Debtor is subject to any defense, offset or counterclaim, nor have any of the foregoing been asserted or alleged against the Debtor by any Person with respect thereto, and as of the date hereof, there are no certificates, instruments, documents or other writings (other than the organizational documents and certificates, if any, delivered to the Secured Party which evidence any Pledged Collateral of the Debtor.

4.17 No Violation of Securities Laws

None of the shares in the capital of the Debtor or the Pledged Collateral has been issued, converted or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which they may be subject.

4.18 Control Agreements

No control agreements exist with respect to any Collateral other than any control agreements in favour of the Secured Party.

4.19 Intellectual Property Collateral

The Debtor does not own any Intellectual Property Collateral.

ARTICLE 5 - COVENANTS AND AGREEMENTS

In addition to all covenants and agreements of the Debtor set forth in the other Indenture Documents, which are incorporated herein by this reference, the Debtor hereby agrees, at no cost or expense to the Secured Party:

5.1 Preservation of Security Interest

To do all reasonable acts (other than acts which are required to be done by the Secured Party) that may be necessary to maintain, preserve and protect the Collateral and the perfection and (subject only to Permitted Encumbrances) the priority of the Security Interest of the Secured Party (for the benefit of the Beneficiaries) therein.

5.2 Actions and Proceedings

To appear in and defend any action or proceeding which may affect its title to or the Secured Party's or the Beneficiaries' interest in the Collateral.

5.3 Use of Collateral

Not to use any Collateral, or permit any Collateral to be used, unlawfully or in violation of any provision of this Agreement, any other agreement with the Secured Party related hereto, or any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Debtor or affecting any of the Collateral or any contractual obligation affecting any of the Collateral.

5.4 Insurance

The Debtor shall keep the Collateral insured to its fair market value.

5.5 Shareholders Agreements

The Debtor has not entered and will not enter into any shareholders, partners or members agreement, voting trust, proxy agreement or other agreement or understanding which affects or relates to the voting or giving of written consents with respect to any of the shares in the capital of the Debtor or the Pledged Collateral without the prior written consent of the Secured Party.

5.6 Issuance of Additional Shares

The Debtor will not consent to or approve, or allow any subsidiary to consent to or approve, of the issuance to any person or entity of any additional shares of any class of capital stock or other ownership interests of the Debtor or any of its subsidiaries, or of any securities convertible into or exchangeable for any such shares or other ownership interests, or any warrants, options or other rights to purchase or otherwise acquire any such shares or other ownership interests, except as approved in writing by the Secured Party.

5.7 Transfer of Collateral; Encumbrances

Not to surrender or lose possession of (other than to the Secured Party), sell, encumber, lease, rent, or otherwise dispose of or transfer any Collateral or right or interest therein as expressly provided herein and in the other Indenture Documents, and to keep the Collateral free of all Encumbrances except Permitted Encumbrances and as expressly permitted by the Indenture Documents or otherwise approved in writing by the Secured Party; *provided, however*, that, unless an Event of Default shall have occurred under any of the Indenture Documents, the Debtor may, in the ordinary course of business, sell or lease (provided it registers and perfects any primary lease or conditional sale agreement in accordance with applicable law) any Collateral consisting of inventory.

5.8 Delivery of Collateral

To account fully for and promptly deliver to the Secured Party, in the form received, all documents, chattel paper, all certificated securities with respect to investment property, instruments and agreements constituting Collateral hereunder, and all proceeds of the Collateral received, all endorsed to the Secured Party or in blank, as requested by the Secured Party, and accompanied by such stock powers as appropriate and until so delivered all such documents, instruments, agreements and proceeds shall be held by the Debtor in trust for the Secured Party (for the benefit of the Beneficiaries), separate from all other property of the Debtor.

5.9 Records

To keep separate, accurate and complete records of the Collateral and to provide the Secured Party with such records and such other reports and information relating to the Collateral as the Secured Party may reasonably request from time to time. To keep the records concerning the Collateral at the location(s) referred to in Section 4.6 and not to remove such records from such location(s) without the prior written consent of the Secured Party.

5.10 Chief Executive Office; Names

To give the Secured Party thirty (30) days' prior written notice of any change in the Debtor's chief executive office or legal name or trade name(s) or style(s).

5.11 Location of Collateral

To not keep any of the Collateral in jurisdictions other than those disclosed in writing to the Secured Party on or prior to the date hereof, provided that the Debtor shall be entitled to keep Collateral in any other jurisdiction in Canada upon thirty (30) days prior written notice to the Secured Party, and provided further that the Debtor shall have first done all things necessary to ensure that the Secured Party has a first ranking (subject only to Permitted Encumbrances) security interest in such Collateral, and shall have otherwise complied with all of its covenants under each of the Indenture Documents with respect to the Collateral.

5.12 Maintenance of Collateral

To keep the Collateral in good condition and repair (normal wear and tear excepted) and not to cause or permit any waste or unusual or unreasonable depreciation of the Collateral.

5.13 Rights to Payment

At all times, to:

- (a) with such frequency as the Secured Party may reasonably require, furnish to the Secured Party full and complete reports, in form and substance satisfactory to the

Secured Party, with respect to the Accounts, including information as to concentration, aging, identity of account debtors, letters of credit securing Accounts, disputed Accounts and other matters, as the Secured Party shall request;

- (b) give only normal discounts, allowances and credits as to Accounts and other Rights to Payment, in the ordinary course of business, according to normal trade practices utilized by the Debtor in the past, and enforce all Accounts and other Rights to Payment strictly in accordance with their terms, and take all such action to such end as may from time to time be reasonably requested by the Secured Party, except that the Debtor may grant any extension of the time for payment or enter into any agreement to make a rebate or otherwise to reduce the amount owing on or with respect to, or compromise or settle for less than the full amount thereof, any Account or other Right to Payment, in the ordinary course of business, according to normal trade practices utilized by the Debtor in the past;
- (c) if any discount, allowance, credit, extension of time for payment, agreement to make a rebate or otherwise to reduce the amount owing on, or compromise or settle, an Account or other Right to Payment exists or occurs, or if, to the knowledge of the Debtor, any dispute, setoff, claim, counterclaim or defence exists or has been asserted or threatened with respect to an Account or other Right to Payment, disclose such fact fully to the Secured Party in the books relating to such Account or other Right to Payment and in connection with any invoice or report furnished by the Debtor to the Secured Party relating to such Account or other Right to Payment;
- (d) if any Accounts arise from contracts with the government of the United States, Canada or any state, province or territory, or any department, agency or instrumentality thereof, immediately notify the Secured Party thereof and execute any documents and instruments and take any other steps requested by the Secured Party in order that all monies due and to become due thereunder shall be assigned to the Secured Party (for the benefit of the Beneficiaries) and notice thereof given to the appropriate authorities under applicable legislation, including (as applicable) the *Federal Assignment of Claims Act* of the United States of America or the *Financial Administration Act* of Canada;
- (e) in accordance with its sound business judgment, perform and comply in all material respects with its obligations in respect of the Accounts and other Rights to Payment; and
- (f) upon the request of the Secured Party (i) at any time, notify all or any designated portion of the account debtors and other obligors on the Rights to Payment of the security interest hereunder, and (ii) notify the account debtors and other obligors on the Rights to Payment or any designated portion thereof that payment shall be made directly to the Secured Party or to such other Person or location as the Secured Party shall specify.

5.14 Inventory

At all times, to:

- (a) at such times as the Secured Party shall request or as may be required under the Indenture Documents, prepare and deliver to the Secured Party a report of all Inventory, in form and substance satisfactory to the Secured Party;
- (b) upon the request of the Secured Party, take a physical listing of the Inventory and promptly deliver a copy of such physical listing to the Secured Party; and
- (c) not store any Inventory with a bailee, warehouseman or similar Person or on premises leased to the Debtor, nor dispose of any Inventory on a bill-and-hold, guaranteed sale, sale and return, sale on approval, consignment or similar basis, nor acquire any Inventory from any Person on any such basis, without in each case giving the Secured Party prior written notice thereof.

ARTICLE 6 - AUTHORIZED ACTION BY THE SECURED PARTY; RIGHTS TO PAYMENT

6.1 Authorized Action by the Secured Party

The Debtor hereby agrees that following the occurrence of an Event of Default which is continuing, without presentment, notice or demand, and without affecting or impairing in any way the rights of the Secured Party with respect to the Collateral, the obligations of the Debtor hereunder or the Secured Obligations, the Secured Party may, but shall not be obligated to and shall incur no liability to the Debtor or any third party for failure to, take any action that the Debtor is obligated by this Agreement to do and to exercise such rights and powers as the Debtor might exercise with respect to the Collateral, and the Debtor hereby irrevocably appoints the Secured Party as its attorney-in-fact to exercise such rights and powers, including, without limitation, the power and authority to:

- (a) collect by legal proceedings or otherwise and endorse, receive and receipt for all dividends, interest, payments, proceeds and other sums and property now or hereafter payable on or on account of the Collateral;
- (b) enter into any extension, reorganization, deposit, merger, consolidation or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for the Collateral;
- (c) insure, process and preserve the Collateral;
- (d) transfer the Collateral to its own or its nominee's name;
- (e) make any compromise or settlement, and take any action it deems advisable, with respect to the Collateral; and

- (f) notify any obligor on any Collateral to make payment directly to the Secured Party.

The foregoing power of attorney is coupled with an interest and irrevocable so long as the Secured Obligations have not been indefeasibly paid and performed in full. The Debtor hereby ratifies, to the extent permitted by law, all that the Secured Party shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 6.1. The Debtor agrees to reimburse the Secured Party upon demand for any reasonable costs and expenses, including reasonable legal fees, the Secured Party may incur while acting as the Debtor's attorney-in-fact hereunder, all of which costs and expenses are included in the Secured Obligations.

6.2 Investment Property and Instruments

Upon and after the occurrence of any Event of Default which is continuing, the Secured Party shall be entitled to receive, for the benefit of the Beneficiaries, all distributions and payments of any nature with respect to any investment property or instruments, and all such distributions or payments received by the Debtor shall be and shall be deemed to be held separate and apart and in trust exclusively for the Secured Party and, in accordance with the Secured Party's instructions, remitted to the Secured Party in the form received (with any necessary endorsements or instruments of assignment or transfer). Following the occurrence of an Event of Default which is continuing any such distributions and payments with respect to any investment property held in any securities account shall be held and retained in such securities account, in each case as part of the Collateral hereunder. Additionally, the Secured Party shall have the right, upon the occurrence of an Event of Default which is continuing, following prior written notice to the Debtor, to vote and to give consents, ratifications and waivers with respect to any investment property and instruments of the Debtor, and to exercise all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining thereto, as if the Secured Party were the absolute owner thereof; *provided* that the Secured Party shall have no duty to exercise any of the foregoing rights afforded to it and shall not be responsible to the Debtor or any other Person for any failure to do so or delay in doing so.

ARTICLE 7 - REMEDIES; NOTICE OF SALE; RECEIVERS

7.1 Remedies

Upon the occurrence of an Event of Default which is continuing, the Secured Party may at its option, without notice to or demand on the Debtor and in addition to all rights and remedies available to the Secured Party with respect to the Secured Obligations, at law, in equity or otherwise, do any one or more of the following:

- (a) foreclose or otherwise enforce the security interest constituted hereby in any manner permitted by law or provided for in this Agreement;
- (b) sell, lease or otherwise dispose of any Collateral at one or more public or private sales at the Secured Party's place of business or any other place or places, including any broker's board or securities exchange, whether or not such

Collateral is present at the place of sale, for cash or credit or future delivery, on such terms and in such manner as the Secured Party may determine;

- (c) use or transfer the Debtor's rights and interests in any Intellectual Property Collateral by license, by sublicense (to the extent permitted by an applicable license), assignment or otherwise, on such conditions and in such manner as the Secured Party may determine;
- (d) recover from the Debtor all costs and expenses, including reasonable legal fees and disbursements, incurred or paid by the Secured Party in exercising any right, power or remedy provided by this Agreement;
- (e) require the Debtor to assemble the Collateral and make it available to the Secured Party at a place to be designated by the Secured Party;
- (f) enter onto property where any Collateral is located and take possession thereof with or without judicial process; and
- (g) prior to the disposition of the Collateral, store, process, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent the Secured Party deems appropriate and in connection with such preparation and disposition, without charge, use any trade-mark, tradename, copyright, patent or technical process used by the Debtor.

7.2 Notice of Sale

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor shall be given ten (10) Business Days prior notice of the time and place of any public sale or of the time after which any private sale or other intended disposition of Collateral is to be made, which notice the Debtor hereby agrees shall be deemed reasonable notice thereof. Upon any sale or other disposition pursuant to this Agreement, the Secured Party shall have the right to deliver, assign and transfer to the purchaser thereof, the Collateral or portion thereof so sold or disposed of. The Secured Party shall have the right upon any public sale, and, to the extent permitted by law, upon any private sale, to purchase the whole or any part of the Collateral so sold. Each purchaser at any such sale or other disposition (including the Secured Party) shall hold the Collateral free from any claim or right of whatever kind, including any equity or right of redemption of the Debtor and the Debtor specifically waives (to the extent permitted by applicable law) all rights of redemption, stay or appraisal which it has or may have under any rule of law or statute now existing or hereafter adopted.

7.3 License

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor hereby grants to the Secured Party an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to the Debtor) or (to the extent permitted by the applicable license)

sublicense to use, license or sublicense any Intellectual Property Collateral, subject with respect to trade-marks to reasonable and appropriate quality control provisions.

7.4 Appointment of Receiver

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may, in addition to any other rights it may have, appoint by instrument in writing a receiver, monitor, consultant, liquidator or receiver and manager (all of which are herein called a “**Receiver**”) of all or any part of the Collateral 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 and exclusions and limitations of liability as the Secured Party has under this Agreement, at law or in equity. In exercising any such powers, any such Receiver shall, to the extent permitted by applicable law, act as and for all purposes be deemed to be the agent of the Debtor, and the Secured Party shall not be responsible for any act or default of any such Receiver. The Secured Party 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 Secured Party. A court need not appoint, ratify the appointment by the Secured Party of or otherwise supervise in any manner the actions of any Receiver. Upon the Debtor receiving notice from the Secured Party of the taking of possession of the Collateral or the appointment of a Receiver, all powers, functions, rights and privileges of the Debtor and, to the extent permitted by applicable law, its directors and officers with respect to the Collateral shall cease, unless specifically continued by the written consent of the Secured Party.

7.5 Carrying on Business

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may carry on, or concur in the carrying on of, all or any part of the business or undertaking of the Debtor, may, subject to the rights and liens of third parties but to the exclusion of the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertakings of or occupied or used by the Debtor and may use all or any of the tools, machinery, equipment and intangibles of the Debtor for such time as the Secured Party sees fit, free of charge, to carry on the business of the Debtor and, if applicable, to manufacture or complete the manufacture of any Inventory and to pack and ship the finished product.

7.6 Dealing with Collateral

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with the Collateral or any part thereof in such manner, upon such terms and conditions and at such time or times as may seem to it advisable, all without notice to the Debtor except as otherwise required by any applicable law. The Secured Party may demand, sue for and receive any Accounts with or without notice to the Debtor, give such receipts, discharges and extensions of time and make such

compromises in respect of any Accounts which may, in the Secured Party's absolute discretion, seem bad or doubtful. The Secured Party 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 Collateral and in connection with the protection and enforcement of the rights of the Secured Party hereunder including, without limitation, in connection with advice with respect to any of the foregoing. The amount of such sums shall be deemed advanced to the Debtor by the Secured Party, shall become part of the Secured Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Secured Obligations or any part thereof and shall be secured by this Agreement.

7.7 Right to Use

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor hereby grants to the Secured Party a license or other right to use, without charge, all of the Debtor's present and future property, whether real or personal, including, without limitation, labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trade-marks, services marks, and advertising matter, or any other property of any nature or of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling of any Collateral and the Debtor's rights under all licenses and all franchise agreements shall inure to the Secured Party.

7.8 Retention of Collateral

Upon notice to the Debtor and subject to any obligation to dispose of any of the Collateral, as provided in the PPSA, the Secured Party may elect to retain all or any part of the Collateral in satisfaction of the Secured Obligations or any of them.

7.9 Pay Encumbrances

The Secured Party may pay any Encumbrances that may exist or be threatened against the Collateral. In addition, the Secured Party may borrow money required for the maintenance, preservation or protection of the Collateral or for the carrying on of the business or undertaking of the Debtor and may grant further security interests in the Collateral in priority to the security interest 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 be deemed to have been advanced to the Debtor by the Secured Party, shall become part of the Secured Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Secured Obligations or any part thereof and shall be secured by this Agreement.

7.10 Application of Payments

Any and all payments made in respect of the Secured Obligations from time to time and moneys realized on the Collateral may be applied to such part or parts of the Secured Obligations as the Secured Party may see fit. The Secured Party shall, at all times and from time to time, have the right to change any appropriation as it may see fit. Any insurance moneys received by the Secured Party pursuant to this Agreement may, at the option of the Secured Party, be applied against the Secured Obligations as the Secured Party thinks fit.

7.11 Set-off

The Secured Obligations will be paid by the Debtor without regard to any equities between the Debtor and the Secured Party or any of the Beneficiaries or any right of set-off or cross-claim. If an Event of Default has occurred and is continuing, any indebtedness owing by the Secured Party to the Debtor may be set-off and applied by the Secured Party against the Secured Obligations either before or after maturity, without demand upon or notice to anyone and regardless of the currency in which the indebtedness is denominated.

7.12 Deficiency

If the proceeds of the realization of the Collateral are insufficient to repay the Secured Obligations, the Debtor shall forthwith pay such deficiency or cause such deficiency to be paid to the Secured Party.

7.13 Secured Party Not Liable

The Secured Party shall not be liable or accountable for any failure to seize, collect, realize, dispose of, enforce or otherwise deal with the Collateral, shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, firm or corporation in respect of the Collateral and shall not be liable or responsible for any loss, cost or damage whatsoever which may arise in respect of any such failure including, without limitation, resulting from the negligence of the Secured Party or any of its officers, servants, agents, solicitors, attorneys, Receivers or otherwise unless arising from gross negligence or wilful misconduct. Neither the Secured Party nor its officers, servants, agents, or Receivers shall be liable by reason of any entry into possession of the Collateral or any part thereof, to account as a mortgagee in possession, for anything except actual receipts, for any loss on realization, for any act or omission for which a mortgagee in possession might be liable, for any negligence in the carrying on or occupation of the business or undertaking of the Debtor or for any loss, cost, damage or expense whatsoever which may arise in respect of any such actions, omissions or negligence unless arising from gross negligence or wilful misconduct.

7.14 Extensions of Time

The Secured Party 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 Collateral to third parties and otherwise deal or fail to deal with the Debtor, subsidiaries of the Debtor, guarantors, sureties and others and with the Collateral and other securities as the Secured Party may see fit, all without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights and powers under this Security Agreement.

7.15 Rights in Addition

The rights and powers conferred by this Section are in supplement of and in addition to and not in substitution for any other rights or powers the Secured Party may have from time to time under this Agreement, any other Indenture Document or under applicable law. The Secured Party may proceed by way of any action, suit, remedy or other proceeding at law or in equity and no such remedy for the enforcement of the rights of the Secured Party shall be exclusive of or dependent on any other such remedy. Any one or more of such remedies may from time to time be exercised separately or in combination.

ARTICLE 8 - PERFECTION AND PRIORITY

8.1 Financing Statements, Etc.

The Debtor shall be solely responsible for ensuring that all registrations in respect of the security constituted hereby are made and maintained as may be necessary or desirable to perfect and protect such security as first ranking (subject only to Permitted Encumbrances) security interests in accordance with the terms and conditions of the Indenture. Notwithstanding the foregoing, in the event that the Secured Party decides, in its sole discretion, to make any such registrations, the Debtor hereby authorizes the Secured Party to file at any time and from time to time any financing statements describing the Collateral, and the Debtor shall execute and deliver to the Secured Party, and the Debtor hereby authorizes the Secured Party to file (with or without the Debtor's signature), at any time and from time to time, all amendments to financing statements, continuation financing statements, termination statements, security agreements relating to the Intellectual Property Collateral, assignments, fixture filings, affidavits, reports, notices and all other documents and instruments, in form satisfactory to the Secured Party, as the Secured Party may request, to perfect and continue perfected, maintain the priority of or provide notice of the Secured Party's security interest in the Collateral and to accomplish the purposes of this Agreement. Without limiting the generality of the foregoing, the Debtor ratifies and authorizes the filing by the Secured Party of any financing statements filed prior to the date hereof.

8.2 Bailees

Any Person (other than the Secured Party) at any time and from time to time holding all or any portion of the Collateral shall be deemed to, and shall, hold the Collateral as the

agent of, and as pledge holder for, the Secured Party. At any time and from time to time, the Secured Party may give notice to any such Person holding all or any portion of the Collateral that such Person is holding the Collateral as the agent and bailee of, and as pledge holder for, the Secured Party, and obtain such Person's written acknowledgment thereof. Without limiting the generality of the foregoing, the Debtor will join with the Secured Party in notifying any Person who has possession of any Collateral of the Secured Party's security interest therein and obtaining an acknowledgment from such Person that it is holding the Collateral for the benefit of the Secured Party.

8.3 Control

If any of the Collateral consists of Investment Property: (a) the Debtor authorizes the Secured Party to transfer such Collateral or any part thereof into its own name or that of its nominee so that the Secured Party or its nominee may appear of record as the sole owner thereof; provided, that until the security hereby constituted becomes enforceable, the Secured Party shall deliver promptly to the Debtor all notices, statements or other communications received by it or its nominee as such registered owner, and upon demand and receipt of payment of necessary expenses thereof, shall give to the Debtor or its designee a proxy or proxies to vote and take all action with respect to such property; provided further that after the security hereby constituted becomes enforceable, the Debtor waives all rights to be advised of or to receive any notices, statements or communications received by the Secured Party or its nominee as such record owner, and agrees that no proxy or proxies given by the Secured Party to the Debtor or its designee as aforesaid shall thereafter be effective; and (b) the Debtor further agrees to execute such other documents and to perform such other acts, and to cause any issuer or securities intermediary to execute such other documents and to perform such other acts as may be necessary or appropriate in order to give the Secured Party "control" of such Investment Property, as defined in any applicable statute similar in application to the *Securities Transfer Act* (Ontario), which "control" shall be in such manner as the Secured Party shall designate in its sole judgement and discretion, including, without limitation, an agreement by an issuer or securities intermediary that it will comply with instructions in the case of an issuer or entitlement orders in the case of a securities intermediary, originated by the Secured Party, whether before or after security hereby constituted becomes enforceable, without further consent by the Debtor.

ARTICLE 9 - MISCELLANEOUS

9.1 Amendments and Waivers

Except to the extent otherwise provided herein or in any other Indenture Document, (a) no amendment to any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the Debtor and the Secured Party and (b) no waiver of any provision of this Agreement, or consent to any departure by the Debtor or other party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party. Any such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

9.2 Notices

All notices required or permitted under this Agreement shall be given in the manner and to the addresses of the parties specified in the Indenture.

9.3 No Waiver; Cumulative Remedies

No failure on the part of the Secured Party to exercise, and no delay in exercising, any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to the Secured Party.

9.4 Binding Effect

This Agreement shall be binding upon the Debtor and its successors and assigns, including any successor by reason of amalgamation, and inure to the benefit of and be enforceable by the Secured Party and the Beneficiaries and their respective successors, endorsees, transferees, participants and assigns.

9.5 Assignment

The Debtor may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Secured Party, and any attempted assignment in violation of this provision shall be null and void. The Secured Party may assign this Agreement in whole or in part to any Person acquiring an interest in the Secured Obligations in accordance with the provisions of the Indenture.

9.6 Costs and Expenses

The Debtor agrees to pay on demand all reasonable costs and expenses of the Secured Party, any Receiver, or the agents of the Secured Party or any Receiver, and reasonable legal fees and disbursements in connection with the perfection, enforcement, or preservation of any rights under, this Agreement and the other Indenture Documents.

9.7 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation, it shall be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement.

9.8 Governing Law

This Agreement is to be exclusively construed in accordance with and governed by the internal laws of the Province of Ontario and the federal laws of Canada applicable therein without giving effect to any choice of law rule or principle that would cause the application of the laws of any jurisdiction other than the internal laws of the Province of Ontario and the federal laws of Canada applicable therein to the rights and duties of the Debtor and the Secured Party.

9.9 Submission to Jurisdiction

The Debtor hereby (a) submits to the non-exclusive jurisdiction of the courts of the Province of Ontario sitting in Toronto for the purpose of any action or proceeding arising out of or relating to this Agreement and the other Indenture Documents, (b) agrees that all claims in respect of any such action or proceeding may be heard and determined in such courts, (c) irrevocably waives (to the extent permitted by applicable law) any objection which it now or hereafter may have to the laying of venue of any such action or proceeding brought in any of the foregoing courts, and any objection on the ground that any such action or proceeding in any such court has been brought in an inconvenient forum and (d) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner permitted by law.

9.10 Entire Agreement

This Agreement and the other Indenture Documents constitutes the entire agreement of the parties hereto with respect to the matters set forth herein and supersede any prior agreements, commitments, drafts, communications, discussions and understandings, oral or written, with respect thereto.

9.11 Counterparts

This Agreement may be executed in several counterparts and delivered by facsimile or other electronic transmission, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement.

9.12 Termination

Upon indefeasible payment and performance in full of all Secured Obligations, the security interests created by this Agreement shall terminate and the Secured Party shall execute and deliver to the Debtor, at the Debtor's sole cost and expense, such documents and instruments reasonably requested by the Debtor as shall be necessary to evidence termination of all security interests given by the Debtor to the Secured Party hereunder.

9.13 Indemnity

The Debtor hereby agrees to indemnify the Secured Party and each of the Beneficiaries, and their respective successors, assigns, agents and employees, from and against any and

all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature (including, without limitation, all reasonable expenses of litigation or preparation therefor whether or not the Secured Party or any of the Beneficiaries is a party thereto) imposed on, incurred by or asserted against the Secured Party or any of the Beneficiaries, or their respective successors, assigns, agents and employees, in any way relating to or arising out of this Agreement, or the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Collateral (including, without limitation, latent and other defects, whether or not discoverable by the Secured Party, any of the Beneficiaries or the Debtor, and any claim for patent, trade-mark or copyright infringement), except for the gross negligence or wilful misconduct of the Secured Party.

9.14 Acknowledgement of Receipt

The Debtor acknowledges receipt of a copy of this Agreement.

9.15 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Indenture, the provisions of the Indenture shall prevail and be paramount, but only to the extent of such inconsistency.

[Signature page follows]

IN WITNESS WHEREOF the undersigned has executed and delivered this Agreement with effect as of the date first written above.

BARBER MONUMENTS LIMITED

By: _____
Name: Scott Kellaway
Title: President

SCHEDULE "A"
TRADE NAMES, AMALGAMATIONS AND PRIOR NAMES

Trade Names or Styles

Barber Monuments

Amalgamations

Nil.

Other Prior Names

Nil.

9903654.1

GENERAL SECURITY AGREEMENT

THIS GENERAL SECURITY AGREEMENT (this “**Agreement**”) is dated with effect as of this ____ day of July, 2011 by **FAMILY MEMORIALS INC.** (the “**Debtor**”) to and in favour of **COMPUTERSHARE TRUST COMPANY OF CANADA** as the Debenture Trustee for and on behalf of itself and the Debentureholders (as such term is defined in the Indenture referred to below) (the “**Secured Party**”).

RECITALS:

- A.** The Debtor is or is about to become indebted to the Secured Party and the Debentureholders (collectively, the “**Beneficiaries**”) pursuant or in connection with certain Debentures issued or to be issued pursuant to an indenture made between the Debtor and the Secured Party dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Indenture**”); and
- B.** As security for the obligations of the Debtor under the Indenture, the Debtor desires to create in favour of the Secured Party for the benefit of the Beneficiaries a security interest in all of the property and assets of the Debtor, as hereinafter provided.

NOW THEREFORE, in consideration of the amounts advanced to the Debtor by the Debentureholders in connection with the Debentures issued pursuant to the Indenture, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor covenants and agrees to and in favour of the Secured Party as follows:

ARTICLE 1 - DEFINITIONS; INTERPRETATION

1.1 Defined Terms

Except as otherwise expressly provided herein, capitalized terms used in this Agreement but not defined herein shall have the meanings assigned to such terms in the Indenture. In this Agreement or any amendment to this Agreement, unless the context clearly indicates to the contrary:

- (a) “**Encumbrance**” means any security interest, mortgage, hypothec, deed of trust, trust or other adverse claim or right, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a Person, whether now owned or subsequently acquired and whether arising by agreement, statute or operation of law.
- (b) “**Indenture Documents**” means the Indenture, the Debentures, this Agreement and any other Security Documents and any agreements, documents or other instruments executed in connection therewith;

- (c) **“Intellectual Property Collateral”** means the following properties and assets owned or held by the Debtor or in which the Debtor otherwise has any interest, now existing or hereafter acquired or arising:
- (i) all patents and patent applications, domestic or foreign, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, all rights to sue for past, present or future infringement thereof, all rights arising therefrom and pertaining thereto and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof;
 - (ii) all copyrights and applications for copyright, domestic or foreign, together with the underlying works of authorship (including titles), whether or not the underlying works of authorship have been published and whether said copyrights are statutory or arise under the common law, and all other rights and works of authorship, all computer programs, computer databases, computer program flow diagrams, source codes, object codes and all tangible property embodying or incorporating any copyrights, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, and all other rights, claims and demands in any way relating to any such copyrights or works, including royalties and rights to sue for past, present or future infringement, and all rights of renewal and extension of copyright; and
 - (iii) all state and provincial (including common law), federal and foreign trade-marks, service marks and trade names, and applications for registration of such trade-marks, service marks and trade names, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, whether registered or unregistered and wherever registered, all rights to sue for past, present or future infringement or unconsented thereof, all rights arising therefrom and pertaining thereto and all reissues, extensions and renewals thereof;
- (d) **“Receiver”** has the meaning ascribed thereto in Section 7.4; and
- (e) **“Rights to Payment”** has the meaning ascribed thereto in Section 4.8.

1.2 Terms Defined in Ontario Personal Property Security Act

Where applicable and except as defined herein, terms used herein shall have the meanings assigned to them in the *Personal Property Security Act* as the same may, from time to time, be in effect in the Province of Ontario (the “PPSA”). Such terms include: “accounts”, “chattel paper”, “documents of title”, “equipment”, “intangibles”, “instruments”, “inventory”, “investment property”, “money”, “proceeds” and “security”.

ARTICLE 2 - GRANT OF SECURITY INTEREST; COLLATERAL

2.1 Grant of Security Interest

As security for the payment and performance of the Secured Obligations (as defined in Section 3), the Debtor hereby:

- (a) mortgages and charges to the Secured Party for the benefit of the Beneficiaries, and charges and grants to the Secured Party for the benefit of the Beneficiaries, a security interest in, to and under, all of its personal property and all proceeds thereof, wherever located and whether now existing or hereafter acquired or arising, including, without limitation, the following property:
 - (i) all present and future investment property held by the Debtor, including securities, security entitlements, securities accounts, future contracts, future accounts, shares, options, rights, warrants, joint venture interests, interests in limited partnerships, trust units, bonds, debentures and all other documents which constitute evidence of a share, participation or interest of the Debtor in property or in an enterprise or which constitute evidence of an obligation of the issuer; and all substitutions therefore, and subject to Section 6.2, dividends and income derived therefrom, all of which are herein called the **“Pledged Collateral”**;
 - (ii) all accounts and book debts of the Debtor, chattel paper, documents of title, instruments, and intangibles of the Debtor, including all debts, dues, claims choses in action and demands of every nature and kind, howsoever arising or secured, including letters of credit, guarantees and advices of credit that are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by the Debtor, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, and all supporting obligations of any or all of the forgoing (**“Accounts”**);
 - (iii) all inventory of the Debtor, including all merchandise, goods and other personal property that are held for sale or lease or that have been leased by the Debtor or that are to be furnished under a contract of service, all raw materials, work in process, materials used or consumed in the Debtor’s business and finished goods, all goods in which the Debtor has an interest in mass or a joint or other interest or gifts of any kind (including goods in which the Debtor has an interest or right as consignee), and all goods which are returned to or repossessed by the Debtor, together with all additions and accessions thereto and replacements therefor and products thereof and documents therefor (**“Inventory”**);
 - (iv) all equipment of the Debtor and all parts thereof and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor, including, all machinery, tools, dies, blueprints,

catalogues, computer hardware and software, furniture, furnishings, vehicles and fixtures (“**Equipment**”);

- (v) all Intellectual Property Collateral;
- (vi) all money maintained in a deposit or other account in the Debtor’s name with any financial institution, and all certificates, instruments and other writings, if any, from time to time representing, evidencing or deposited into such accounts, and all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing;
- (vii) all now existing and hereafter arising contracts and agreements to which the Debtor is party (each, an “**Assigned Agreement**”), including, without limitation, all rights of the Debtor to receive moneys due and to become due under or pursuant to the Assigned Agreements, all rights of the Debtor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements, all claims of the Debtor for damages arising out of or for breach of or default under the Assigned Agreements, and all rights of the Debtor to terminate, amend, supplement or modify the Assigned Agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder; *provided, however,* that with respect to any such contract or agreement where the grant of a security interest in the Debtor’s right, title and interest therein is prohibited by the terms thereof, or would give any other party the right to terminate its obligations thereunder, or is not permitted because any necessary consent to such grant has not been obtained, (A) the Debtor shall hold such contract or agreement in trust for the Secured Party (for the benefit of the Beneficiaries) and the Collateral (as defined below) shall include only the rights of the Debtor to receive moneys due and to become due, if any, under or pursuant to such contract or agreement, and (B) the Debtor shall, following the occurrence of an Event of Default that is continuing, assign any such contract or agreement as directed by the Secured Party, whereupon it shall form part of the Collateral;
- (viii) all books, records, writings, databases, information and other property relating to, used or useful in connection with, embodying, incorporating or referring to, any of the Collateral;
- (ix) all cash and cash equivalents held by the Debtor not otherwise included in the description of the Debtor’s property in this Section 2.1; and
- (x) all products and proceeds of the Collateral (with the term “**proceeds**” having the meaning provided in the PPSA and also including any voluntary or involuntary disposition, and all rights to payment, including return premiums, with respect to any insurance);

- (b) grants, mortgages and charges, to and in favour of the Secured Party, as and by way of a fixed and specific mortgage and charge, and as and by way of a floating charge, all of its currently owned and held or hereafter acquired real property and interests therein of every nature and kind and wherever situate; and
- (c) grants, mortgages and charges, to and in favour of the Secured Party, as and by way of a floating charge, all of its currently owned and held or hereafter acquired property, assets and undertakings of every nature and kind and wherever situate, except such of its property, assets, undertakings and interests as are validly subject to the mortgages, charges and security interests granted pursuant to Sections 2.1(a) and (b).

2.2 Collateral.

The term “**Collateral**” means, collectively, all of the Debtor’s right, title and interest in and to all of the Debtor’s present and after-acquired property (real and personal), assets and undertakings, and all proceeds thereof (except the property of the Debtor described in Section 2.3) of whatsoever nature and kind and wherever situate including without limiting the generality of the foregoing all of the property described in Section 2.1.

2.3 Excluded Collateral

Notwithstanding Section 2.1, the Collateral shall not include: (a) any property held in trust by the Debtor and lawfully belonging to others, (b) the last day of the term of any lease of real property, provided that the Debtor shall stand possessed of such last day and shall assign and transfer such interest as instructed by the Secured Party; (c) with respect to Section 2.1(a)(iii), any consumer goods used as such by the Debtor; or (d) the interests described in the proviso to Section 2.1(a)(vii) as being excluded from the Collateral.

2.4 Debtor Remains Liable

Anything herein to the contrary notwithstanding, (a) the Debtor shall remain liable under all Assigned Agreements, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Debtor from any of its duties or obligations under such Assigned Agreements, and (c) neither the Secured Party nor any of the Beneficiaries shall have any obligation or liability under any Assigned Agreements by reason of this Agreement, nor shall the Secured Party or any of the Beneficiaries be obligated to perform any of the obligations or duties of the Debtor thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Collateral hereunder.

2.5 Continuing Security Interest

The Debtor agrees that this Agreement shall create a general collateral continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 9.12.

2.6 Attachment

The Debtor acknowledges that the security interest created hereby attaches to existing Collateral upon the execution of this Agreement and that such security interest will attach to Collateral acquired after the date of execution of this Agreement at the time that the Debtor acquires rights in that Collateral. The Debtor and the Secured Party agree that value has been given. The Debtor represents and warrants that it has rights in the existing Collateral.

2.7 Unlimited Liability Companies

Nothing in this Agreement or any other agreement between the Debtor and the Secured Party is intended to, and nothing in this Agreement or any other agreement between the Debtor and the Secured Party will, constitute the Secured Party or any person other than the Debtor, a shareholder or member of any unlimited liability company (“**ULC**”) for the purposes of (to the extent applicable) the *Companies Act* (Nova Scotia), the *Business Corporations Act* (Alberta), the *Business Corporations Act* (British Columbia) or any other applicable incorporation statute which provides for ULCs until notice is given to the Debtor and further steps are taken to register the Secured Party or other person as holder of shares or other interests in the ULC (“**ULC Shares**”). To the extent that any provision of this Agreement would have the effect of constituting the Secured Party as a shareholder or member of a ULC, that provision will be severed from this Security Agreement and ineffective without otherwise invalidating or rendering unenforceable: (a) this Agreement; or (b) that provision to the extent that it relates to Collateral other than ULC Shares.

ARTICLE 3 - SECURED OBLIGATIONS

3.1 Secured Obligations

The obligations secured by this Agreement shall consist of all indebtedness, obligations and liabilities of the Debtor to the Secured Party or the Beneficiaries, including, without limitation, those arising under, in connection with, and relating to the Indenture Documents, whether now existing or hereafter arising, as principal or surety, voluntary or involuntary, whether or not jointly owed with others, direct or indirect, absolute or contingent, liquidated or unliquidated, and whether or not from time to time decreased or extinguished and later increased, created or incurred, together with all expenses (including reasonable legal fees on a solicitor and client basis) incurred by the Secured Party, any receiver, receiver-manager or agent in the preparation, perfection and enforcement of security and other agreements held by the Secured Party in respect of such obligations and liabilities and interest thereon (all of which obligations, liabilities, expenses and interest are referred to collectively as the “**Secured Obligations**”).

ARTICLE 4 - REPRESENTATIONS AND WARRANTIES

In addition to all representations and warranties of the Debtor set forth in the other Indenture Documents, which are incorporated herein by this reference, the Debtor hereby represents and warrants that:

4.1 Sole Owner

The Debtor is the sole owner of and has good and marketable title to the Collateral (or will be the sole owner of and will have good and marketable title to, in the case of after-acquired Collateral).

4.2 No Adverse Claim

No Person has (or, in the case of after-acquired Collateral, at the time the Debtor acquires rights therein, will have) any right, title, claim or interest (by way of security interest or other Encumbrance, adverse rights or claims or other Encumbrances) in, against or to the Collateral other than Permitted Encumbrances.

4.3 Full Disclosure

All information herein supplied to the Secured Party by or on behalf of the Debtor with respect to the Collateral is accurate and complete in all material respects as of the date hereof.

4.4 Delivery of Collateral

The Debtor has delivered to the Secured Party all instruments and chattel paper and other items of Collateral in which a security interest is or may be perfected by possession, together with such additional writings, including assignments, with respect thereto as the Secured Party shall request.

4.5 Intellectual Property

All of the patents, trade-marks, and copyrights of the Debtor have been registered or applied to be registered with the United States Patent and Trademark Office, the United States Copyright Office or the Canadian Intellectual Property Office, as appropriate.

4.6 Chief Executive Office; Trade Names; Collateral Location; Records Location

The Debtor's chief executive office is in the Province of Ontario; the only trade name(s) or style(s) used by the Debtor are listed on **Schedule "A"**; and, the Debtor's records concerning the Collateral are located at its chief executive office. The Debtor has not, except as disclosed on **Schedule "A"** hereto, at any time in the past: (a) been known as or used any other corporate, trade or fictitious name; (b) changed its name; (c) been the surviving or resulting corporation in a merger or consolidation; or (d) acquired through asset purchase or otherwise any business of any Person.

4.7 Enforceability; Priority of Security Interest

- (a) This Agreement creates a security interest which is enforceable against the Collateral in which the Debtor now has rights and will create a security interest which is enforceable against the Collateral in which the Debtor hereafter acquires rights at the time the Debtor acquires any such rights; and (b) the Secured Party,

on behalf of the Beneficiaries, has a perfected and (subject only to Permitted Encumbrances) first priority security interest in the Collateral, in which the Debtor now has rights, and will have a perfected and (subject only to Permitted Encumbrances) first priority security interest in the Collateral in which the Debtor hereafter acquires rights at the time the Debtor acquires any such rights, in each case securing the payment and performance of the Secured Obligations.

4.8 Rights to Payment

- (a) The Accounts and any and all of the Debtor's rights and claims to the payment or receipt of money or other forms of consideration of any kind in, to and under or with respect to its chattel paper, documents of title, intangibles, instruments, proceeds and supporting obligations (collectively, "**Rights to Payment**") represent valid, binding and enforceable obligations of the account debtors or other Persons obligated thereon, representing undisputed, *bona fide* transactions completed in accordance with the terms and provisions contained in any documents related thereto, and are genuine, free from any Encumbrances and not subject to any adverse claims, counterclaims, setoffs, defaults, disputes, defenses, discounts, retainages, holdbacks or conditions precedent of any kind of character, except to the extent reflected by the Debtor's reserves for uncollectible Rights to Payment or to the extent, if any, that such account debtors or other Persons may be entitled to normal and ordinary course trade discounts, returns, adjustments and allowances in accordance with Section 5.13 or as otherwise disclosed to the Secured Party in writing;
- (b) to the best of the Debtor's knowledge, all account debtors and other obligors on the Rights to Payment are solvent and generally paying their debts as they come due;
- (c) all Rights to Payment comply with all applicable laws concerning form, content and manner of preparation and execution, including where applicable any federal or state consumer credit laws;
- (d) the Debtor has not assigned any of its rights under the Rights to Payment other than Permitted Encumbrances as provided in this Agreement or as set forth in the other Indenture Documents;
- (e) all statements made, all unpaid balances and all other information in the Debtor's books and other documentation relating to the Rights to Payment are true and correct and in all respects what they purport to be; and
- (f) the Debtor has no knowledge of any fact or circumstance which would impair the validity or collectibility of any of the Rights to Payment.

4.9 Inventory

No inventory is stored with any bailee, warehouseman or similar Person or on any premises leased to the Debtor, nor has any inventory been consigned to the Debtor or

consigned by the Debtor to any Person or is held by the Debtor for any Person under any “bill and hold” or other arrangement, except as disclosed to the Secured Party in writing.

4.10 Equipment

- (a) none of the Equipment or other Collateral is affixed to real property except Collateral with respect to which the Debtor has supplied the Secured Party with all information and documentation necessary to make all fixture filings required to perfect and protect the priority of the Secured Party’s security interest in all such Collateral which may be fixtures as against all Persons having an interest in the premises to which such property may be affixed; and
- (b) none of the Equipment is leased from or to any Person, except as otherwise disclosed in writing to the Secured Party.

4.11 Valid Issuance of Pledged Collateral

All the Pledged Collateral have been, and upon issuance any Pledged Collateral will be, duly and validly issued, and are and will be fully paid and non assessable.

4.12 Capitalization of the Pledged Subsidiary

The Pledged Collateral constitutes 100% of the issued and outstanding shares of capital stock and other ownership interests of the various issuers owned by the Debtor (which, as of the date hereof, constitutes 100% of the issued and outstanding shares of capital stock and other ownership interests of each issuer).

4.13 Options, Warrants, Etc.

Other than pursuant to the Indenture Documents, no securities convertible into or exchangeable for any shares of capital stock or other ownership interests of any issuer, or any options, warrants or other commitments entitling any Person to purchase or otherwise acquire any shares of capital stock or other ownership interests of any issuer, are issued and outstanding.

4.14 Transfer Restrictions

Other than such authorizations and approvals as have been obtained by the Debtor, there are no restrictions on the transferability of the Pledged Collateral to the Secured Party or with respect to the foreclosure, transfer or disposition thereof by the Secured Party on behalf of the Beneficiaries.

4.15 Shareholders Agreements

There are no shareholders, partners or members agreements, voting trusts, proxy agreements or other agreements or understandings which affect or relate to the voting or giving of written consents with respect to any of the Pledged Collateral.

4.16 Pledged Collateral

The Debtor is not in default in the payment of any portion of any mandatory capital contribution, if any, required to be made under any agreement to which the Debtor is a party relating to the Pledged Collateral pledged by it, and the Debtor is not in violation of any other provisions of any such agreement to which the Debtor is a party, or otherwise in default or violation thereunder. No Pledged Collateral pledged by the Debtor is subject to any defense, offset or counterclaim, nor have any of the foregoing been asserted or alleged against the Debtor by any Person with respect thereto, and as of the date hereof, there are no certificates, instruments, documents or other writings (other than the organizational documents and certificates, if any, delivered to the Secured Party which evidence any Pledged Collateral of the Debtor.

4.17 No Violation of Securities Laws

None of the shares in the capital of the Debtor or the Pledged Collateral has been issued, converted or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which they may be subject.

4.18 Control Agreements

No control agreements exist with respect to any Collateral other than any control agreements in favour of the Secured Party.

4.19 Intellectual Property Collateral

The Debtor does not own any Intellectual Property Collateral.

ARTICLE 5 - COVENANTS AND AGREEMENTS

In addition to all covenants and agreements of the Debtor set forth in the other Indenture Documents, which are incorporated herein by this reference, the Debtor hereby agrees, at no cost or expense to the Secured Party:

5.1 Preservation of Security Interest

To do all reasonable acts (other than acts which are required to be done by the Secured Party) that may be necessary to maintain, preserve and protect the Collateral and the perfection and (subject only to Permitted Encumbrances) the priority of the Security Interest of the Secured Party (for the benefit of the Beneficiaries) therein.

5.2 Actions and Proceedings

To appear in and defend any action or proceeding which may affect its title to or the Secured Party's or the Beneficiaries' interest in the Collateral.

5.3 Use of Collateral

Not to use any Collateral, or permit any Collateral to be used, unlawfully or in violation of any provision of this Agreement, any other agreement with the Secured Party related hereto, or any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Debtor or affecting any of the Collateral or any contractual obligation affecting any of the Collateral.

5.4 Insurance

The Debtor shall keep the Collateral insured to its fair market value.

5.5 Shareholders Agreements

The Debtor has not entered and will not enter into any shareholders, partners or members agreement, voting trust, proxy agreement or other agreement or understanding which affects or relates to the voting or giving of written consents with respect to any of the shares in the capital of the Debtor or the Pledged Collateral without the prior written consent of the Secured Party.

5.6 Issuance of Additional Shares

The Debtor will not consent to or approve, or allow any subsidiary to consent to or approve, of the issuance to any person or entity of any additional shares of any class of capital stock or other ownership interests of the Debtor or any of its subsidiaries, or of any securities convertible into or exchangeable for any such shares or other ownership interests, or any warrants, options or other rights to purchase or otherwise acquire any such shares or other ownership interests, except as approved in writing by the Secured Party.

5.7 Transfer of Collateral; Encumbrances

Not to surrender or lose possession of (other than to the Secured Party), sell, encumber, lease, rent, or otherwise dispose of or transfer any Collateral or right or interest therein as expressly provided herein and in the other Indenture Documents, and to keep the Collateral free of all Encumbrances except Permitted Encumbrances and as expressly permitted by the Indenture Documents or otherwise approved in writing by the Secured Party; *provided, however*, that, unless an Event of Default shall have occurred under any of the Indenture Documents, the Debtor may, in the ordinary course of business, sell or lease (provided it registers and perfects any primary lease or conditional sale agreement in accordance with applicable law) any Collateral consisting of inventory.

5.8 Delivery of Collateral

To account fully for and promptly deliver to the Secured Party, in the form received, all documents, chattel paper, all certificated securities with respect to investment property, instruments and agreements constituting Collateral hereunder, and all proceeds of the Collateral received, all endorsed to the Secured Party or in blank, as requested by the

Secured Party, and accompanied by such stock powers as appropriate and until so delivered all such documents, instruments, agreements and proceeds shall be held by the Debtor in trust for the Secured Party (for the benefit of the Beneficiaries), separate from all other property of the Debtor.

5.9 Records

To keep separate, accurate and complete records of the Collateral and to provide the Secured Party with such records and such other reports and information relating to the Collateral as the Secured Party may reasonably request from time to time. To keep the records concerning the Collateral at the location(s) referred to in Section 4.6 and not to remove such records from such location(s) without the prior written consent of the Secured Party.

5.10 Chief Executive Office; Names

To give the Secured Party thirty (30) days' prior written notice of any change in the Debtor's chief executive office or legal name or trade name(s) or style(s).

5.11 Location of Collateral

To not keep any of the Collateral in jurisdictions other than those disclosed in writing to the Secured Party on or prior to the date hereof, provided that the Debtor shall be entitled to keep Collateral in any other jurisdiction in Canada upon thirty (30) days prior written notice to the Secured Party, and provided further that the Debtor shall have first done all things necessary to ensure that the Secured Party has a first ranking (subject only to Permitted Encumbrances) security interest in such Collateral, and shall have otherwise complied with all of its covenants under each of the Indenture Documents with respect to the Collateral.

5.12 Maintenance of Collateral

To keep the Collateral in good condition and repair (normal wear and tear excepted) and not to cause or permit any waste or unusual or unreasonable depreciation of the Collateral.

5.13 Rights to Payment

At all times, to:

- (a) with such frequency as the Secured Party may reasonably require, furnish to the Secured Party full and complete reports, in form and substance satisfactory to the Secured Party, with respect to the Accounts, including information as to concentration, aging, identity of account debtors, letters of credit securing Accounts, disputed Accounts and other matters, as the Secured Party shall request;

- (b) give only normal discounts, allowances and credits as to Accounts and other Rights to Payment, in the ordinary course of business, according to normal trade practices utilized by the Debtor in the past, and enforce all Accounts and other Rights to Payment strictly in accordance with their terms, and take all such action to such end as may from time to time be reasonably requested by the Secured Party, except that the Debtor may grant any extension of the time for payment or enter into any agreement to make a rebate or otherwise to reduce the amount owing on or with respect to, or compromise or settle for less than the full amount thereof, any Account or other Right to Payment, in the ordinary course of business, according to normal trade practices utilized by the Debtor in the past;
- (c) if any discount, allowance, credit, extension of time for payment, agreement to make a rebate or otherwise to reduce the amount owing on, or compromise or settle, an Account or other Right to Payment exists or occurs, or if, to the knowledge of the Debtor, any dispute, setoff, claim, counterclaim or defence exists or has been asserted or threatened with respect to an Account or other Right to Payment, disclose such fact fully to the Secured Party in the books relating to such Account or other Right to Payment and in connection with any invoice or report furnished by the Debtor to the Secured Party relating to such Account or other Right to Payment;
- (d) if any Accounts arise from contracts with the government of the United States, Canada or any state, province or territory, or any department, agency or instrumentality thereof, immediately notify the Secured Party thereof and execute any documents and instruments and take any other steps requested by the Secured Party in order that all monies due and to become due thereunder shall be assigned to the Secured Party (for the benefit of the Beneficiaries) and notice thereof given to the appropriate authorities under applicable legislation, including (as applicable) the *Federal Assignment of Claims Act* of the United States of America or the *Financial Administration Act* of Canada;
- (e) in accordance with its sound business judgment, perform and comply in all material respects with its obligations in respect of the Accounts and other Rights to Payment; and
- (f) upon the request of the Secured Party (i) at any time, notify all or any designated portion of the account debtors and other obligors on the Rights to Payment of the security interest hereunder, and (ii) notify the account debtors and other obligors on the Rights to Payment or any designated portion thereof that payment shall be made directly to the Secured Party or to such other Person or location as the Secured Party shall specify.

5.14 Inventory

At all times, to:

- (a) at such times as the Secured Party shall request or as may be required under the Indenture Documents, prepare and deliver to the Secured Party a report of all Inventory, in form and substance satisfactory to the Secured Party;
- (b) upon the request of the Secured Party, take a physical listing of the Inventory and promptly deliver a copy of such physical listing to the Secured Party; and
- (c) not store any Inventory with a bailee, warehouseman or similar Person or on premises leased to the Debtor, nor dispose of any Inventory on a bill-and-hold, guaranteed sale, sale and return, sale on approval, consignment or similar basis, nor acquire any Inventory from any Person on any such basis, without in each case giving the Secured Party prior written notice thereof.

ARTICLE 6 - AUTHORIZED ACTION BY THE SECURED PARTY; RIGHTS TO PAYMENT

6.1 Authorized Action by the Secured Party

The Debtor hereby agrees that following the occurrence of an Event of Default which is continuing, without presentment, notice or demand, and without affecting or impairing in any way the rights of the Secured Party with respect to the Collateral, the obligations of the Debtor hereunder or the Secured Obligations, the Secured Party may, but shall not be obligated to and shall incur no liability to the Debtor or any third party for failure to, take any action that the Debtor is obligated by this Agreement to do and to exercise such rights and powers as the Debtor might exercise with respect to the Collateral, and the Debtor hereby irrevocably appoints the Secured Party as its attorney-in-fact to exercise such rights and powers, including, without limitation, the power and authority to:

- (a) collect by legal proceedings or otherwise and endorse, receive and receipt for all dividends, interest, payments, proceeds and other sums and property now or hereafter payable on or on account of the Collateral;
- (b) enter into any extension, reorganization, deposit, merger, consolidation or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for the Collateral;
- (c) insure, process and preserve the Collateral;
- (d) transfer the Collateral to its own or its nominee's name;
- (e) make any compromise or settlement, and take any action it deems advisable, with respect to the Collateral; and
- (f) notify any obligor on any Collateral to make payment directly to the Secured Party.

The foregoing power of attorney is coupled with an interest and irrevocable so long as the Secured Obligations have not been indefeasibly paid and performed in full. The Debtor

hereby ratifies, to the extent permitted by law, all that the Secured Party shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 6.1. The Debtor agrees to reimburse the Secured Party upon demand for any reasonable costs and expenses, including reasonable legal fees, the Secured Party may incur while acting as the Debtor's attorney-in-fact hereunder, all of which costs and expenses are included in the Secured Obligations.

6.2 Investment Property and Instruments

Upon and after the occurrence of any Event of Default which is continuing, the Secured Party shall be entitled to receive, for the benefit of the Beneficiaries, all distributions and payments of any nature with respect to any investment property or instruments, and all such distributions or payments received by the Debtor shall be and shall be deemed to be held separate and apart and in trust exclusively for the Secured Party and, in accordance with the Secured Party's instructions, remitted to the Secured Party in the form received (with any necessary endorsements or instruments of assignment or transfer). Following the occurrence of an Event of Default which is continuing any such distributions and payments with respect to any investment property held in any securities account shall be held and retained in such securities account, in each case as part of the Collateral hereunder. Additionally, the Secured Party shall have the right, upon the occurrence of an Event of Default which is continuing, following prior written notice to the Debtor, to vote and to give consents, ratifications and waivers with respect to any investment property and instruments of the Debtor, and to exercise all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining thereto, as if the Secured Party were the absolute owner thereof; *provided* that the Secured Party shall have no duty to exercise any of the foregoing rights afforded to it and shall not be responsible to the Debtor or any other Person for any failure to do so or delay in doing so.

ARTICLE 7 - REMEDIES; NOTICE OF SALE; RECEIVERS

7.1 Remedies

Upon the occurrence of an Event of Default which is continuing, the Secured Party may at its option, without notice to or demand on the Debtor and in addition to all rights and remedies available to the Secured Party with respect to the Secured Obligations, at law, in equity or otherwise, do any one or more of the following:

- (a) foreclose or otherwise enforce the security interest constituted hereby in any manner permitted by law or provided for in this Agreement;
- (b) sell, lease or otherwise dispose of any Collateral at one or more public or private sales at the Secured Party's place of business or any other place or places, including any broker's board or securities exchange, whether or not such Collateral is present at the place of sale, for cash or credit or future delivery, on such terms and in such manner as the Secured Party may determine;
- (c) use or transfer the Debtor's rights and interests in any Intellectual Property Collateral by license, by sublicense (to the extent permitted by an applicable

license), assignment or otherwise, on such conditions and in such manner as the Secured Party may determine;

- (d) recover from the Debtor all costs and expenses, including reasonable legal fees and disbursements, incurred or paid by the Secured Party in exercising any right, power or remedy provided by this Agreement;
- (e) require the Debtor to assemble the Collateral and make it available to the Secured Party at a place to be designated by the Secured Party;
- (f) enter onto property where any Collateral is located and take possession thereof with or without judicial process; and
- (g) prior to the disposition of the Collateral, store, process, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent the Secured Party deems appropriate and in connection with such preparation and disposition, without charge, use any trade-mark, tradename, copyright, patent or technical process used by the Debtor.

7.2 Notice of Sale

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor shall be given ten (10) Business Days prior notice of the time and place of any public sale or of the time after which any private sale or other intended disposition of Collateral is to be made, which notice the Debtor hereby agrees shall be deemed reasonable notice thereof. Upon any sale or other disposition pursuant to this Agreement, the Secured Party shall have the right to deliver, assign and transfer to the purchaser thereof, the Collateral or portion thereof so sold or disposed of. The Secured Party shall have the right upon any public sale, and, to the extent permitted by law, upon any private sale, to purchase the whole or any part of the Collateral so sold. Each purchaser at any such sale or other disposition (including the Secured Party) shall hold the Collateral free from any claim or right of whatever kind, including any equity or right of redemption of the Debtor and the Debtor specifically waives (to the extent permitted by applicable law) all rights of redemption, stay or appraisal which it has or may have under any rule of law or statute now existing or hereafter adopted.

7.3 License

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor hereby grants to the Secured Party an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to the Debtor) or (to the extent permitted by the applicable license) sublicense to use, license or sublicense any Intellectual Property Collateral, subject with respect to trade-marks to reasonable and appropriate quality control provisions.

7.4 Appointment of Receiver

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may, in addition to any other rights it may have, appoint by instrument in writing a receiver, monitor, consultant, liquidator or receiver and manager (all of which are herein called a “**Receiver**”) of all or any part of the Collateral 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 and exclusions and limitations of liability as the Secured Party has under this Agreement, at law or in equity. In exercising any such powers, any such Receiver shall, to the extent permitted by applicable law, act as and for all purposes be deemed to be the agent of the Debtor, and the Secured Party shall not be responsible for any act or default of any such Receiver. The Secured Party 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 Secured Party. A court need not appoint, ratify the appointment by the Secured Party of or otherwise supervise in any manner the actions of any Receiver. Upon the Debtor receiving notice from the Secured Party of the taking of possession of the Collateral or the appointment of a Receiver, all powers, functions, rights and privileges of the Debtor and, to the extent permitted by applicable law, its directors and officers with respect to the Collateral shall cease, unless specifically continued by the written consent of the Secured Party.

7.5 Carrying on Business

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may carry on, or concur in the carrying on of, all or any part of the business or undertaking of the Debtor, may, subject to the rights and liens of third parties but to the exclusion of the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertakings of or occupied or used by the Debtor and may use all or any of the tools, machinery, equipment and intangibles of the Debtor for such time as the Secured Party sees fit, free of charge, to carry on the business of the Debtor and, if applicable, to manufacture or complete the manufacture of any Inventory and to pack and ship the finished product.

7.6 Dealing with Collateral

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with the Collateral or any part thereof in such manner, upon such terms and conditions and at such time or times as may seem to it advisable, all without notice to the Debtor except as otherwise required by any applicable law. The Secured Party may demand, sue for and receive any Accounts with or without notice to the Debtor, give such receipts, discharges and extensions of time and make such compromises in respect of any Accounts which may, in the Secured Party’s absolute discretion, seem bad or doubtful. The Secured Party 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 Collateral and in connection with the protection and enforcement of the rights of the Secured Party hereunder including, without limitation, in connection with advice with respect to any of the foregoing. The amount of such sums shall be deemed advanced to the Debtor by the Secured Party, shall become part of the Secured Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Secured Obligations or any part thereof and shall be secured by this Agreement.

7.7 Right to Use

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor hereby grants to the Secured Party a license or other right to use, without charge, all of the Debtor's present and future property, whether real or personal, including, without limitation, labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trade-marks, services marks, and advertising matter, or any other property of any nature or of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling of any Collateral and the Debtor's rights under all licenses and all franchise agreements shall inure to the Secured Party.

7.8 Retention of Collateral

Upon notice to the Debtor and subject to any obligation to dispose of any of the Collateral, as provided in the PPSA, the Secured Party may elect to retain all or any part of the Collateral in satisfaction of the Secured Obligations or any of them.

7.9 Pay Encumbrances

The Secured Party may pay any Encumbrances that may exist or be threatened against the Collateral. In addition, the Secured Party may borrow money required for the maintenance, preservation or protection of the Collateral or for the carrying on of the business or undertaking of the Debtor and may grant further security interests in the Collateral in priority to the security interest 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 be deemed to have been advanced to the Debtor by the Secured Party, shall become part of the Secured Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Secured Obligations or any part thereof and shall be secured by this Agreement.

7.10 Application of Payments

Any and all payments made in respect of the Secured Obligations from time to time and moneys realized on the Collateral may be applied to such part or parts of the Secured Obligations as the Secured Party may see fit. The Secured Party shall, at all times and from time to time, have the right to change any appropriation as it may see fit. Any

insurance moneys received by the Secured Party pursuant to this Agreement may, at the option of the Secured Party, be applied against the Secured Obligations as the Secured Party thinks fit.

7.11 Set-off

The Secured Obligations will be paid by the Debtor without regard to any equities between the Debtor and the Secured Party or any of the Beneficiaries or any right of set-off or cross-claim. If an Event of Default has occurred and is continuing, any indebtedness owing by the Secured Party to the Debtor may be set-off and applied by the Secured Party against the Secured Obligations either before or after maturity, without demand upon or notice to anyone and regardless of the currency in which the indebtedness is denominated.

7.12 Deficiency

If the proceeds of the realization of the Collateral are insufficient to repay the Secured Obligations, the Debtor shall forthwith pay such deficiency or cause such deficiency to be paid to the Secured Party.

7.13 Secured Party Not Liable

The Secured Party shall not be liable or accountable for any failure to seize, collect, realize, dispose of, enforce or otherwise deal with the Collateral, shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, firm or corporation in respect of the Collateral and shall not be liable or responsible for any loss, cost or damage whatsoever which may arise in respect of any such failure including, without limitation, resulting from the negligence of the Secured Party or any of its officers, servants, agents, solicitors, attorneys, Receivers or otherwise unless arising from gross negligence or wilful misconduct. Neither the Secured Party nor its officers, servants, agents, or Receivers shall be liable by reason of any entry into possession of the Collateral or any part thereof, to account as a mortgagee in possession, for anything except actual receipts, for any loss on realization, for any act or omission for which a mortgagee in possession might be liable, for any negligence in the carrying on or occupation of the business or undertaking of the Debtor or for any loss, cost, damage or expense whatsoever which may arise in respect of any such actions, omissions or negligence unless arising from gross negligence or wilful misconduct.

7.14 Extensions of Time

The Secured Party 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 Collateral to third parties and otherwise deal or fail to deal with the Debtor, subsidiaries of the Debtor, guarantors, sureties and others and with the Collateral and other securities as the Secured Party may see fit, all without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights and powers under this Security Agreement.

7.15 Rights in Addition

The rights and powers conferred by this Section are in supplement of and in addition to and not in substitution for any other rights or powers the Secured Party may have from time to time under this Agreement, any other Indenture Document or under applicable law. The Secured Party may proceed by way of any action, suit, remedy or other proceeding at law or in equity and no such remedy for the enforcement of the rights of the Secured Party shall be exclusive of or dependent on any other such remedy. Any one or more of such remedies may from time to time be exercised separately or in combination.

ARTICLE 8 - PERFECTION AND PRIORITY

8.1 Financing Statements, Etc.

The Debtor shall be solely responsible for ensuring that all registrations in respect of the security constituted hereby are made and maintained as may be necessary or desirable to perfect and protect such security as first ranking (subject only to Permitted Encumbrances) security interests in accordance with the terms and conditions of the Indenture. Notwithstanding the foregoing, in the event that the Secured Party decides, in its sole discretion, to make any such registrations, the Debtor hereby authorizes the Secured Party to file at any time and from time to time any financing statements describing the Collateral, and the Debtor shall execute and deliver to the Secured Party, and the Debtor hereby authorizes the Secured Party to file (with or without the Debtor's signature), at any time and from time to time, all amendments to financing statements, continuation financing statements, termination statements, security agreements relating to the Intellectual Property Collateral, assignments, fixture filings, affidavits, reports, notices and all other documents and instruments, in form satisfactory to the Secured Party, as the Secured Party may request, to perfect and continue perfected, maintain the priority of or provide notice of the Secured Party's security interest in the Collateral and to accomplish the purposes of this Agreement. Without limiting the generality of the foregoing, the Debtor ratifies and authorizes the filing by the Secured Party of any financing statements filed prior to the date hereof.

8.2 Bailees

Any Person (other than the Secured Party) at any time and from time to time holding all or any portion of the Collateral shall be deemed to, and shall, hold the Collateral as the agent of, and as pledge holder for, the Secured Party. At any time and from time to time, the Secured Party may give notice to any such Person holding all or any portion of the Collateral that such Person is holding the Collateral as the agent and bailee of, and as pledge holder for, the Secured Party, and obtain such Person's written acknowledgment thereof. Without limiting the generality of the foregoing, the Debtor will join with the Secured Party in notifying any Person who has possession of any Collateral of the Secured Party's security interest therein and obtaining an acknowledgment from such Person that it is holding the Collateral for the benefit of the Secured Party.

8.3 Control

If any of the Collateral consists of Investment Property: (a) the Debtor authorizes the Secured Party to transfer such Collateral or any part thereof into its own name or that of its nominee so that the Secured Party or its nominee may appear of record as the sole owner thereof; provided, that until the security hereby constituted becomes enforceable, the Secured Party shall deliver promptly to the Debtor all notices, statements or other communications received by it or its nominee as such registered owner, and upon demand and receipt of payment of necessary expenses thereof, shall give to the Debtor or its designee a proxy or proxies to vote and take all action with respect to such property; provided further that after the security hereby constituted becomes enforceable, the Debtor waives all rights to be advised of or to receive any notices, statements or communications received by the Secured Party or its nominee as such record owner, and agrees that no proxy or proxies given by the Secured Party to the Debtor or its designee as aforesaid shall thereafter be effective; and (b) the Debtor further agrees to execute such other documents and to perform such other acts, and to cause any issuer or securities intermediary to execute such other documents and to perform such other acts as may be necessary or appropriate in order to give the Secured Party “control” of such Investment Property, as defined in any applicable statute similar in application to the *Securities Transfer Act* (Ontario), which “control” shall be in such manner as the Secured Party shall designate in its sole judgement and discretion, including, without limitation, an agreement by an issuer or securities intermediary that it will comply with instructions in the case of an issuer or entitlement orders in the case of a securities intermediary, originated by the Secured Party, whether before or after security hereby constituted becomes enforceable, without further consent by the Debtor.

ARTICLE 9 - MISCELLANEOUS

9.1 Amendments and Waivers

Except to the extent otherwise provided herein or in any other Indenture Document, (a) no amendment to any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the Debtor and the Secured Party and (b) no waiver of any provision of this Agreement, or consent to any departure by the Debtor or other party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party. Any such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

9.2 Notices

All notices required or permitted under this Agreement shall be given in the manner and to the addresses of the parties specified in the Indenture.

9.3 No Waiver; Cumulative Remedies

No failure on the part of the Secured Party to exercise, and no delay in exercising, any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof,

nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to the Secured Party.

9.4 Binding Effect

This Agreement shall be binding upon the Debtor and its successors and assigns, including any successor by reason of amalgamation, and inure to the benefit of and be enforceable by the Secured Party and the Beneficiaries and their respective successors, endorsees, transferees, participants and assigns.

9.5 Assignment

The Debtor may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Secured Party, and any attempted assignment in violation of this provision shall be null and void. The Secured Party may assign this Agreement in whole or in part to any Person acquiring an interest in the Secured Obligations in accordance with the provisions of the Indenture.

9.6 Costs and Expenses

The Debtor agrees to pay on demand all reasonable costs and expenses of the Secured Party, any Receiver, or the agents of the Secured Party or any Receiver, and reasonable legal fees and disbursements in connection with the perfection, enforcement, or preservation of any rights under, this Agreement and the other Indenture Documents.

9.7 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation, it shall be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement.

9.8 Governing Law

This Agreement is to be exclusively construed in accordance with and governed by the internal laws of the Province of Ontario and the federal laws of Canada applicable therein without giving effect to any choice of law rule or principle that would cause the application of the laws of any jurisdiction other than the internal laws of the Province of Ontario and the federal laws of Canada applicable therein to the rights and duties of the Debtor and the Secured Party.

9.9 Submission to Jurisdiction

The Debtor hereby (a) submits to the non-exclusive jurisdiction of the courts of the Province of Ontario sitting in Toronto for the purpose of any action or proceeding arising out of or relating to this Agreement and the other Indenture Documents, (b) agrees that all claims in respect of any such action or proceeding may be heard and determined in such courts, (c) irrevocably waives (to the extent permitted by applicable law) any objection which it now or hereafter may have to the laying of venue of any such action or proceeding brought in any of the foregoing courts, and any objection on the ground that any such action or proceeding in any such court has been brought in an inconvenient forum and (d) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner permitted by law.

9.10 Entire Agreement

This Agreement and the other Indenture Documents constitutes the entire agreement of the parties hereto with respect to the matters set forth herein and supersede any prior agreements, commitments, drafts, communications, discussions and understandings, oral or written, with respect thereto.

9.11 Counterparts

This Agreement may be executed in several counterparts and delivered by facsimile or other electronic transmission, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement.

9.12 Termination

Upon indefeasible payment and performance in full of all Secured Obligations, the security interests created by this Agreement shall terminate and the Secured Party shall execute and deliver to the Debtor, at the Debtor's sole cost and expense, such documents and instruments reasonably requested by the Debtor as shall be necessary to evidence termination of all security interests given by the Debtor to the Secured Party hereunder.

9.13 Indemnity

The Debtor hereby agrees to indemnify the Secured Party and each of the Beneficiaries, and their respective successors, assigns, agents and employees, from and against any and all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature (including, without limitation, all reasonable expenses of litigation or preparation therefor whether or not the Secured Party or any of the Beneficiaries is a party thereto) imposed on, incurred by or asserted against the Secured Party or any of the Beneficiaries, or their respective successors, assigns, agents and employees, in any way relating to or arising out of this Agreement, or the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Collateral (including, without limitation, latent and other defects, whether or not discoverable by the Secured Party, any of the Beneficiaries or the Debtor, and any claim

for patent, trade-mark or copyright infringement), except for the gross negligence or wilful misconduct of the Secured Party.

9.14 Acknowledgement of Receipt

The Debtor acknowledges receipt of a copy of this Agreement.

9.15 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Indenture, the provisions of the Indenture shall prevail and be paramount, but only to the extent of such inconsistency.

[Signature page follows]

IN WITNESS WHEREOF the undersigned has executed and delivered this Agreement with effect as of the date first written above.

FAMILY MEMORIALS INC.

By: _____

Name: Scott Kellaway

Title: Chief Executive Officer

SCHEDULE “A”
TRADE NAMES, AMALGAMATIONS AND PRIOR NAMES

Trade Names or Styles

Nil.

Amalgamations

Nil.

Other Prior Names

Nil.

9903445.1

GENERAL SECURITY AGREEMENT

THIS GENERAL SECURITY AGREEMENT (this “**Agreement**”) is dated with effect as of this ____ day of July, 2011 by **GRAJACK INDUSTRIES LTD.** (the “**Debtor**”) to and in favour of **COMPUTERSHARE TRUST COMPANY OF CANADA** as the Debenture Trustee for and on behalf of itself and the Debentureholders (as such term is defined in the Indenture referred to below) (the “**Secured Party**”).

RECITALS:

- A. **FAMILY MEMORIALS INC.** (the “**Corporation**”) is or is about to become indebted to the Secured Party and the Debentureholders (collectively, the “**Beneficiaries**”) pursuant or in connection with certain Debentures issued or to be issued pursuant to an indenture made between the Corporation and the Secured Party dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Indenture**”);
- B. In connection with the Indenture, the Debtor has executed and delivered a guarantee of the Corporation’s obligations to the Secured Party and the Beneficiaries, dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Guarantee**”); and
- C. As security for the obligations of the Debtor under the Guarantee, the Debtor desires to create in favour of the Secured Party for the benefit of the Beneficiaries a security interest in all of the property and assets of the Debtor, as hereinafter provided.

NOW THEREFORE, in consideration of the amounts advanced to the Corporation by the Debentureholders in connection with the Debentures issued pursuant to the Indenture, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor covenants and agrees to and in favour of the Secured Party as follows:

ARTICLE 1 - DEFINITIONS; INTERPRETATION

1.1 Defined Terms

Except as otherwise expressly provided herein, capitalized terms used in this Agreement but not defined herein shall have the meanings assigned to such terms in the Indenture. In this Agreement or any amendment to this Agreement, unless the context clearly indicates to the contrary:

- (a) “**Encumbrance**” means any security interest, mortgage, hypothec, deed of trust, trust or other adverse claim or right, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a Person, whether now owned or subsequently acquired and whether arising by agreement, statute or operation of law.

- (b) **“Indenture Documents”** means the Indenture, the Debentures, the Guarantee, this Agreement and any other Security Documents and any agreements, documents or other instruments executed in connection therewith;
- (c) **“Intellectual Property Collateral”** means the following properties and assets owned or held by the Debtor or in which the Debtor otherwise has any interest, now existing or hereafter acquired or arising:
 - (i) all patents and patent applications, domestic or foreign, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, all rights to sue for past, present or future infringement thereof, all rights arising therefrom and pertaining thereto and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof;
 - (ii) all copyrights and applications for copyright, domestic or foreign, together with the underlying works of authorship (including titles), whether or not the underlying works of authorship have been published and whether said copyrights are statutory or arise under the common law, and all other rights and works of authorship, all computer programs, computer databases, computer program flow diagrams, source codes, object codes and all tangible property embodying or incorporating any copyrights, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, and all other rights, claims and demands in any way relating to any such copyrights or works, including royalties and rights to sue for past, present or future infringement, and all rights of renewal and extension of copyright; and
 - (iii) all state and provincial (including common law), federal and foreign trade-marks, service marks and trade names, and applications for registration of such trade-marks, service marks and trade names, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, whether registered or unregistered and wherever registered, all rights to sue for past, present or future infringement or unconsented thereof, all rights arising therefrom and pertaining thereto and all reissues, extensions and renewals thereof;
- (d) **“Receiver”** has the meaning ascribed thereto in Section 7.4; and
- (e) **“Rights to Payment”** has the meaning ascribed thereto in Section 4.8.

1.2 Terms Defined in Ontario Personal Property Security Act

Where applicable and except as defined herein, terms used herein shall have the meanings assigned to them in the *Personal Property Security Act* as the same may, from time to time, be in effect in the Province of Ontario (the “PPSA”). Such terms include: “accounts”, “chattel paper”, “documents of title”, “equipment”, “intangibles”,

“instruments”, “inventory”, “investment property”, “money”, “proceeds” and “security”.

ARTICLE 2 - GRANT OF SECURITY INTEREST; COLLATERAL

2.1 Grant of Security Interest

As security for the payment and performance of the Secured Obligations (as defined in Section 3), the Debtor hereby:

- (a) mortgages and charges to the Secured Party for the benefit of the Beneficiaries, and charges and grants to the Secured Party for the benefit of the Beneficiaries, a security interest in, to and under, all of its personal property and all proceeds thereof, wherever located and whether now existing or hereafter acquired or arising, including, without limitation, the following property:
 - (i) all present and future investment property held by the Debtor, including securities, security entitlements, securities accounts, future contracts, future accounts, shares, options, rights, warrants, joint venture interests, interests in limited partnerships, trust units, bonds, debentures and all other documents which constitute evidence of a share, participation or interest of the Debtor in property or in an enterprise or which constitute evidence of an obligation of the issuer; and all substitutions therefore, and subject to Section 6.2, dividends and income derived therefrom, all of which are herein called the “**Pledged Collateral**”;
 - (ii) all accounts and book debts of the Debtor, chattel paper, documents of title, instruments, and intangibles of the Debtor, including all debts, dues, claims choses in action and demands of every nature and kind, howsoever arising or secured, including letters of credit, guarantees and advices of credit that are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by the Debtor, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, and all supporting obligations of any or all of the forgoing (“**Accounts**”);
 - (iii) all inventory of the Debtor, including all merchandise, goods and other personal property that are held for sale or lease or that have been leased by the Debtor or that are to be furnished under a contract of service, all raw materials, work in process, materials used or consumed in the Debtor’s business and finished goods, all goods in which the Debtor has an interest in mass or a joint or other interest or gifts of any kind (including goods in which the Debtor has an interest or right as consignee), and all goods which are returned to or repossessed by the Debtor, together with all additions and accessions thereto and replacements therefor and products thereof and documents therefor (“**Inventory**”);

- (iv) all equipment of the Debtor and all parts thereof and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor, including, all machinery, tools, dies, blueprints, catalogues, computer hardware and software, furniture, furnishings, vehicles and fixtures (“**Equipment**”);
- (v) all Intellectual Property Collateral;
- (vi) all money maintained in a deposit or other account in the Debtor’s name with any financial institution, and all certificates, instruments and other writings, if any, from time to time representing, evidencing or deposited into such accounts, and all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing;
- (vii) all now existing and hereafter arising contracts and agreements to which the Debtor is party (each, an “**Assigned Agreement**”), including, without limitation, all rights of the Debtor to receive moneys due and to become due under or pursuant to the Assigned Agreements, all rights of the Debtor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements, all claims of the Debtor for damages arising out of or for breach of or default under the Assigned Agreements, and all rights of the Debtor to terminate, amend, supplement or modify the Assigned Agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder; *provided, however,* that with respect to any such contract or agreement where the grant of a security interest in the Debtor’s right, title and interest therein is prohibited by the terms thereof, or would give any other party the right to terminate its obligations thereunder, or is not permitted because any necessary consent to such grant has not been obtained, (A) the Debtor shall hold such contract or agreement in trust for the Secured Party (for the benefit of the Beneficiaries) and the Collateral (as defined below) shall include only the rights of the Debtor to receive moneys due and to become due, if any, under or pursuant to such contract or agreement, and (B) the Debtor shall, following the occurrence of an Event of Default that is continuing, assign any such contract or agreement as directed by the Secured Party, whereupon it shall form part of the Collateral;
- (viii) all books, records, writings, databases, information and other property relating to, used or useful in connection with, embodying, incorporating or referring to, any of the Collateral;
- (ix) all cash and cash equivalents held by the Debtor not otherwise included in the description of the Debtor’s property in this Section 2.1; and
- (x) all products and proceeds of the Collateral (with the term “**proceeds**” having the meaning provided in the PPSA and also including any

voluntary or involuntary disposition, and all rights to payment, including return premiums, with respect to any insurance);

- (b) grants, mortgages and charges, to and in favour of the Secured Party, as and by way of a fixed and specific mortgage and charge, and as and by way of a floating charge, all of its currently owned and held or hereafter acquired real property and interests therein of every nature and kind and wherever situate; and
- (c) grants, mortgages and charges, to and in favour of the Secured Party, as and by way of a floating charge, all of its currently owned and held or hereafter acquired property, assets and undertakings of every nature and kind and wherever situate, except such of its property, assets, undertakings and interests as are validly subject to the mortgages, charges and security interests granted pursuant to Sections 2.1(a) and (b).

2.2 Collateral.

The term “**Collateral**” means, collectively, all of the Debtor’s right, title and interest in and to all of the Debtor’s present and after-acquired property (real and personal), assets and undertakings, and all proceeds thereof (except the property of the Debtor described in Section 2.3) of whatsoever nature and kind and wherever situate including without limiting the generality of the foregoing all of the property described in Section 2.1.

2.3 Excluded Collateral

Notwithstanding Section 2.1, the Collateral shall not include: (a) any property held in trust by the Debtor and lawfully belonging to others, (b) the last day of the term of any lease of real property, provided that the Debtor shall stand possessed of such last day and shall assign and transfer such interest as instructed by the Secured Party; (c) with respect to Section 2.1(a)(iii), any consumer goods used as such by the Debtor; or (d) the interests described in the proviso to Section 2.1(a)(vii) as being excluded from the Collateral.

2.4 Debtor Remains Liable

Anything herein to the contrary notwithstanding, (a) the Debtor shall remain liable under all Assigned Agreements, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Debtor from any of its duties or obligations under such Assigned Agreements, and (c) neither the Secured Party nor any of the Beneficiaries shall have any obligation or liability under any Assigned Agreements by reason of this Agreement, nor shall the Secured Party or any of the Beneficiaries be obligated to perform any of the obligations or duties of the Debtor thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Collateral hereunder.

2.5 Continuing Security Interest

The Debtor agrees that this Agreement shall create a general collateral continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 9.12.

2.6 Attachment

The Debtor acknowledges that the security interest created hereby attaches to existing Collateral upon the execution of this Agreement and that such security interest will attach to Collateral acquired after the date of execution of this Agreement at the time that the Debtor acquires rights in that Collateral. The Debtor and the Secured Party agree that value has been given. The Debtor represents and warrants that it has rights in the existing Collateral.

2.7 Unlimited Liability Companies

Nothing in this Agreement or any other agreement between the Debtor and the Secured Party is intended to, and nothing in this Agreement or any other agreement between the Debtor and the Secured Party will, constitute the Secured Party or any person other than the Debtor, a shareholder or member of any unlimited liability company (“**ULC**”) for the purposes of (to the extent applicable) the *Companies Act* (Nova Scotia), the *Business Corporations Act* (Alberta), the *Business Corporations Act* (British Columbia) or any other applicable incorporation statute which provides for ULCs until notice is given to the Debtor and further steps are taken to register the Secured Party or other person as holder of shares or other interests in the ULC (“**ULC Shares**”). To the extent that any provision of this Agreement would have the effect of constituting the Secured Party as a shareholder or member of a ULC, that provision will be severed from this Security Agreement and ineffective without otherwise invalidating or rendering unenforceable: (a) this Agreement; or (b) that provision to the extent that it relates to Collateral other than ULC Shares.

ARTICLE 3 - SECURED OBLIGATIONS

3.1 Secured Obligations

The obligations secured by this Agreement shall consist of all indebtedness, obligations and liabilities of the Debtor to the Secured Party or the Beneficiaries, including, without limitation, those arising under, in connection with, and relating to the Indenture Documents, whether now existing or hereafter arising, as principal or surety, voluntary or involuntary, whether or not jointly owed with others, direct or indirect, absolute or contingent, liquidated or unliquidated, and whether or not from time to time decreased or extinguished and later increased, created or incurred, together with all expenses (including reasonable legal fees on a solicitor and client basis) incurred by the Secured Party, any receiver, receiver-manager or agent in the preparation, perfection and enforcement of security and other agreements held by the Secured Party in respect of such obligations and liabilities and interest thereon (all of which obligations, liabilities, expenses and interest are referred to collectively as the “**Secured Obligations**”).

ARTICLE 4 - REPRESENTATIONS AND WARRANTIES

In addition to all representations and warranties of the Debtor set forth in the other Indenture Documents, which are incorporated herein by this reference, the Debtor hereby represents and warrants that:

4.1 Sole Owner

The Debtor is the sole owner of and has good and marketable title to the Collateral (or will be the sole owner of and will have good and marketable title to, in the case of after-acquired Collateral).

4.2 No Adverse Claim

No Person has (or, in the case of after-acquired Collateral, at the time the Debtor acquires rights therein, will have) any right, title, claim or interest (by way of security interest or other Encumbrance, adverse rights or claims or other Encumbrances) in, against or to the Collateral other than Permitted Encumbrances.

4.3 Full Disclosure

All information herein supplied to the Secured Party by or on behalf of the Debtor with respect to the Collateral is accurate and complete in all material respects as of the date hereof.

4.4 Delivery of Collateral

The Debtor has delivered to the Secured Party all instruments and chattel paper and other items of Collateral in which a security interest is or may be perfected by possession, together with such additional writings, including assignments, with respect thereto as the Secured Party shall request.

4.5 Intellectual Property

All of the patents, trade-marks, and copyrights of the Debtor have been registered or applied to be registered with the United States Patent and Trademark Office, the United States Copyright Office or the Canadian Intellectual Property Office, as appropriate.

4.6 Chief Executive Office; Trade Names; Collateral Location; Records Location

The Debtor's chief executive office is in the Province of Ontario; the only trade name(s) or style(s) used by the Debtor are listed on **Schedule "A"**; and, the Debtor's records concerning the Collateral are located at its chief executive office. The Debtor has not, except as disclosed on **Schedule "A"** hereto, at any time in the past: (a) been known as or used any other corporate, trade or fictitious name; (b) changed its name; (c) been the surviving or resulting corporation in a merger or consolidation; or (d) acquired through asset purchase or otherwise any business of any Person.

4.7 Enforceability; Priority of Security Interest

- (a) This Agreement creates a security interest which is enforceable against the Collateral in which the Debtor now has rights and will create a security interest which is enforceable against the Collateral in which the Debtor hereafter acquires rights at the time the Debtor acquires any such rights; and (b) the Secured Party, on behalf of the Beneficiaries, has a perfected and (subject only to Permitted Encumbrances) first priority security interest in the Collateral, in which the Debtor now has rights, and will have a perfected and (subject only to Permitted Encumbrances) first priority security interest in the Collateral in which the Debtor hereafter acquires rights at the time the Debtor acquires any such rights, in each case securing the payment and performance of the Secured Obligations.

4.8 Rights to Payment

- (a) The Accounts and any and all of the Debtor's rights and claims to the payment or receipt of money or other forms of consideration of any kind in, to and under or with respect to its chattel paper, documents of title, intangibles, instruments, proceeds and supporting obligations (collectively, "**Rights to Payment**") represent valid, binding and enforceable obligations of the account debtors or other Persons obligated thereon, representing undisputed, *bona fide* transactions completed in accordance with the terms and provisions contained in any documents related thereto, and are genuine, free from any Encumbrances and not subject to any adverse claims, counterclaims, setoffs, defaults, disputes, defenses, discounts, retainages, holdbacks or conditions precedent of any kind of character, except to the extent reflected by the Debtor's reserves for uncollectible Rights to Payment or to the extent, if any, that such account debtors or other Persons may be entitled to normal and ordinary course trade discounts, returns, adjustments and allowances in accordance with Section 5.13 or as otherwise disclosed to the Secured Party in writing;
- (b) to the best of the Debtor's knowledge, all account debtors and other obligors on the Rights to Payment are solvent and generally paying their debts as they come due;
- (c) all Rights to Payment comply with all applicable laws concerning form, content and manner of preparation and execution, including where applicable any federal or state consumer credit laws;
- (d) the Debtor has not assigned any of its rights under the Rights to Payment other than Permitted Encumbrances as provided in this Agreement or as set forth in the other Indenture Documents;
- (e) all statements made, all unpaid balances and all other information in the Debtor's books and other documentation relating to the Rights to Payment are true and correct and in all respects what they purport to be; and

- (f) the Debtor has no knowledge of any fact or circumstance which would impair the validity or collectibility of any of the Rights to Payment.

4.9 Inventory

No inventory is stored with any bailee, warehouseman or similar Person or on any premises leased to the Debtor, nor has any inventory been consigned to the Debtor or consigned by the Debtor to any Person or is held by the Debtor for any Person under any “bill and hold” or other arrangement, except as disclosed to the Secured Party in writing.

4.10 Equipment

- (a) none of the Equipment or other Collateral is affixed to real property except Collateral with respect to which the Debtor has supplied the Secured Party with all information and documentation necessary to make all fixture filings required to perfect and protect the priority of the Secured Party’s security interest in all such Collateral which may be fixtures as against all Persons having an interest in the premises to which such property may be affixed; and
- (b) none of the Equipment is leased from or to any Person, except as otherwise disclosed in writing to the Secured Party.

4.11 Valid Issuance of Pledged Collateral

All the Pledged Collateral have been, and upon issuance any Pledged Collateral will be, duly and validly issued, and are and will be fully paid and non assessable.

4.12 Capitalization of the Pledged Subsidiary

The Pledged Collateral constitutes 100% of the issued and outstanding shares of capital stock and other ownership interests of the various issuers owned by the Debtor (which, as of the date hereof, constitutes 100% of the issued and outstanding shares of capital stock and other ownership interests of each issuer).

4.13 Options, Warrants, Etc.

Other than pursuant to the Indenture Documents, no securities convertible into or exchangeable for any shares of capital stock or other ownership interests of any issuer, or any options, warrants or other commitments entitling any Person to purchase or otherwise acquire any shares of capital stock or other ownership interests of any issuer, are issued and outstanding.

4.14 Transfer Restrictions

Other than such authorizations and approvals as have been obtained by the Debtor, there are no restrictions on the transferability of the Pledged Collateral to the Secured Party or with respect to the foreclosure, transfer or disposition thereof by the Secured Party on behalf of the Beneficiaries.

4.15 Shareholders Agreements

There are no shareholders, partners or members agreements, voting trusts, proxy agreements or other agreements or understandings which affect or relate to the voting or giving of written consents with respect to any of the Pledged Collateral.

4.16 Pledged Collateral

The Debtor is not in default in the payment of any portion of any mandatory capital contribution, if any, required to be made under any agreement to which the Debtor is a party relating to the Pledged Collateral pledged by it, and the Debtor is not in violation of any other provisions of any such agreement to which the Debtor is a party, or otherwise in default or violation thereunder. No Pledged Collateral pledged by the Debtor is subject to any defense, offset or counterclaim, nor have any of the foregoing been asserted or alleged against the Debtor by any Person with respect thereto, and as of the date hereof, there are no certificates, instruments, documents or other writings (other than the organizational documents and certificates, if any, delivered to the Secured Party which evidence any Pledged Collateral of the Debtor.

4.17 No Violation of Securities Laws

None of the shares in the capital of the Debtor or the Pledged Collateral has been issued, converted or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which they may be subject.

4.18 Control Agreements

No control agreements exist with respect to any Collateral other than any control agreements in favour of the Secured Party.

4.19 Intellectual Property Collateral

The Debtor does not own any Intellectual Property Collateral.

ARTICLE 5 - COVENANTS AND AGREEMENTS

In addition to all covenants and agreements of the Debtor set forth in the other Indenture Documents, which are incorporated herein by this reference, the Debtor hereby agrees, at no cost or expense to the Secured Party:

5.1 Preservation of Security Interest

To do all reasonable acts (other than acts which are required to be done by the Secured Party) that may be necessary to maintain, preserve and protect the Collateral and the perfection and (subject only to Permitted Encumbrances) the priority of the Security Interest of the Secured Party (for the benefit of the Beneficiaries) therein.

5.2 Actions and Proceedings

To appear in and defend any action or proceeding which may affect its title to or the Secured Party's or the Beneficiaries' interest in the Collateral.

5.3 Use of Collateral

Not to use any Collateral, or permit any Collateral to be used, unlawfully or in violation of any provision of this Agreement, any other agreement with the Secured Party related hereto, or any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Debtor or affecting any of the Collateral or any contractual obligation affecting any of the Collateral.

5.4 Insurance

The Debtor shall keep the Collateral insured to its fair market value.

5.5 Shareholders Agreements

The Debtor has not entered and will not enter into any shareholders, partners or members agreement, voting trust, proxy agreement or other agreement or understanding which affects or relates to the voting or giving of written consents with respect to any of the shares in the capital of the Debtor or the Pledged Collateral without the prior written consent of the Secured Party.

5.6 Issuance of Additional Shares

The Debtor will not consent to or approve, or allow any subsidiary to consent to or approve, of the issuance to any person or entity of any additional shares of any class of capital stock or other ownership interests of the Debtor or any of its subsidiaries, or of any securities convertible into or exchangeable for any such shares or other ownership interests, or any warrants, options or other rights to purchase or otherwise acquire any such shares or other ownership interests, except as approved in writing by the Secured Party.

5.7 Transfer of Collateral; Encumbrances

Not to surrender or lose possession of (other than to the Secured Party), sell, encumber, lease, rent, or otherwise dispose of or transfer any Collateral or right or interest therein as expressly provided herein and in the other Indenture Documents, and to keep the Collateral free of all Encumbrances except Permitted Encumbrances and as expressly permitted by the Indenture Documents or otherwise approved in writing by the Secured Party; *provided, however*, that, unless an Event of Default shall have occurred under any of the Indenture Documents, the Debtor may, in the ordinary course of business, sell or lease (provided it registers and perfects any primary lease or conditional sale agreement in accordance with applicable law) any Collateral consisting of inventory.

5.8 Delivery of Collateral

To account fully for and promptly deliver to the Secured Party, in the form received, all documents, chattel paper, all certificated securities with respect to investment property, instruments and agreements constituting Collateral hereunder, and all proceeds of the Collateral received, all endorsed to the Secured Party or in blank, as requested by the Secured Party, and accompanied by such stock powers as appropriate and until so delivered all such documents, instruments, agreements and proceeds shall be held by the Debtor in trust for the Secured Party (for the benefit of the Beneficiaries), separate from all other property of the Debtor.

5.9 Records

To keep separate, accurate and complete records of the Collateral and to provide the Secured Party with such records and such other reports and information relating to the Collateral as the Secured Party may reasonably request from time to time. To keep the records concerning the Collateral at the location(s) referred to in Section 4.6 and not to remove such records from such location(s) without the prior written consent of the Secured Party.

5.10 Chief Executive Office; Names

To give the Secured Party thirty (30) days' prior written notice of any change in the Debtor's chief executive office or legal name or trade name(s) or style(s).

5.11 Location of Collateral

To not keep any of the Collateral in jurisdictions other than those disclosed in writing to the Secured Party on or prior to the date hereof, provided that the Debtor shall be entitled to keep Collateral in any other jurisdiction in Canada upon thirty (30) days prior written notice to the Secured Party, and provided further that the Debtor shall have first done all things necessary to ensure that the Secured Party has a first ranking (subject only to Permitted Encumbrances) security interest in such Collateral, and shall have otherwise complied with all of its covenants under each of the Indenture Documents with respect to the Collateral.

5.12 Maintenance of Collateral

To keep the Collateral in good condition and repair (normal wear and tear excepted) and not to cause or permit any waste or unusual or unreasonable depreciation of the Collateral.

5.13 Rights to Payment

At all times, to:

- (a) with such frequency as the Secured Party may reasonably require, furnish to the Secured Party full and complete reports, in form and substance satisfactory to the

Secured Party, with respect to the Accounts, including information as to concentration, aging, identity of account debtors, letters of credit securing Accounts, disputed Accounts and other matters, as the Secured Party shall request;

- (b) give only normal discounts, allowances and credits as to Accounts and other Rights to Payment, in the ordinary course of business, according to normal trade practices utilized by the Debtor in the past, and enforce all Accounts and other Rights to Payment strictly in accordance with their terms, and take all such action to such end as may from time to time be reasonably requested by the Secured Party, except that the Debtor may grant any extension of the time for payment or enter into any agreement to make a rebate or otherwise to reduce the amount owing on or with respect to, or compromise or settle for less than the full amount thereof, any Account or other Right to Payment, in the ordinary course of business, according to normal trade practices utilized by the Debtor in the past;
- (c) if any discount, allowance, credit, extension of time for payment, agreement to make a rebate or otherwise to reduce the amount owing on, or compromise or settle, an Account or other Right to Payment exists or occurs, or if, to the knowledge of the Debtor, any dispute, setoff, claim, counterclaim or defence exists or has been asserted or threatened with respect to an Account or other Right to Payment, disclose such fact fully to the Secured Party in the books relating to such Account or other Right to Payment and in connection with any invoice or report furnished by the Debtor to the Secured Party relating to such Account or other Right to Payment;
- (d) if any Accounts arise from contracts with the government of the United States, Canada or any state, province or territory, or any department, agency or instrumentality thereof, immediately notify the Secured Party thereof and execute any documents and instruments and take any other steps requested by the Secured Party in order that all monies due and to become due thereunder shall be assigned to the Secured Party (for the benefit of the Beneficiaries) and notice thereof given to the appropriate authorities under applicable legislation, including (as applicable) the *Federal Assignment of Claims Act* of the United States of America or the *Financial Administration Act* of Canada;
- (e) in accordance with its sound business judgment, perform and comply in all material respects with its obligations in respect of the Accounts and other Rights to Payment; and
- (f) upon the request of the Secured Party (i) at any time, notify all or any designated portion of the account debtors and other obligors on the Rights to Payment of the security interest hereunder, and (ii) notify the account debtors and other obligors on the Rights to Payment or any designated portion thereof that payment shall be made directly to the Secured Party or to such other Person or location as the Secured Party shall specify.

5.14 Inventory

At all times, to:

- (a) at such times as the Secured Party shall request or as may be required under the Indenture Documents, prepare and deliver to the Secured Party a report of all Inventory, in form and substance satisfactory to the Secured Party;
- (b) upon the request of the Secured Party, take a physical listing of the Inventory and promptly deliver a copy of such physical listing to the Secured Party; and
- (c) not store any Inventory with a bailee, warehouseman or similar Person or on premises leased to the Debtor, nor dispose of any Inventory on a bill-and-hold, guaranteed sale, sale and return, sale on approval, consignment or similar basis, nor acquire any Inventory from any Person on any such basis, without in each case giving the Secured Party prior written notice thereof.

ARTICLE 6 - AUTHORIZED ACTION BY THE SECURED PARTY; RIGHTS TO PAYMENT

6.1 Authorized Action by the Secured Party

The Debtor hereby agrees that following the occurrence of an Event of Default which is continuing, without presentment, notice or demand, and without affecting or impairing in any way the rights of the Secured Party with respect to the Collateral, the obligations of the Debtor hereunder or the Secured Obligations, the Secured Party may, but shall not be obligated to and shall incur no liability to the Debtor or any third party for failure to, take any action that the Debtor is obligated by this Agreement to do and to exercise such rights and powers as the Debtor might exercise with respect to the Collateral, and the Debtor hereby irrevocably appoints the Secured Party as its attorney-in-fact to exercise such rights and powers, including, without limitation, the power and authority to:

- (a) collect by legal proceedings or otherwise and endorse, receive and receipt for all dividends, interest, payments, proceeds and other sums and property now or hereafter payable on or on account of the Collateral;
- (b) enter into any extension, reorganization, deposit, merger, consolidation or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for the Collateral;
- (c) insure, process and preserve the Collateral;
- (d) transfer the Collateral to its own or its nominee's name;
- (e) make any compromise or settlement, and take any action it deems advisable, with respect to the Collateral; and

- (f) notify any obligor on any Collateral to make payment directly to the Secured Party.

The foregoing power of attorney is coupled with an interest and irrevocable so long as the Secured Obligations have not been indefeasibly paid and performed in full. The Debtor hereby ratifies, to the extent permitted by law, all that the Secured Party shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 6.1. The Debtor agrees to reimburse the Secured Party upon demand for any reasonable costs and expenses, including reasonable legal fees, the Secured Party may incur while acting as the Debtor's attorney-in-fact hereunder, all of which costs and expenses are included in the Secured Obligations.

6.2 Investment Property and Instruments

Upon and after the occurrence of any Event of Default which is continuing, the Secured Party shall be entitled to receive, for the benefit of the Beneficiaries, all distributions and payments of any nature with respect to any investment property or instruments, and all such distributions or payments received by the Debtor shall be and shall be deemed to be held separate and apart and in trust exclusively for the Secured Party and, in accordance with the Secured Party's instructions, remitted to the Secured Party in the form received (with any necessary endorsements or instruments of assignment or transfer). Following the occurrence of an Event of Default which is continuing any such distributions and payments with respect to any investment property held in any securities account shall be held and retained in such securities account, in each case as part of the Collateral hereunder. Additionally, the Secured Party shall have the right, upon the occurrence of an Event of Default which is continuing, following prior written notice to the Debtor, to vote and to give consents, ratifications and waivers with respect to any investment property and instruments of the Debtor, and to exercise all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining thereto, as if the Secured Party were the absolute owner thereof; *provided* that the Secured Party shall have no duty to exercise any of the foregoing rights afforded to it and shall not be responsible to the Debtor or any other Person for any failure to do so or delay in doing so.

ARTICLE 7 - REMEDIES; NOTICE OF SALE; RECEIVERS

7.1 Remedies

Upon the occurrence of an Event of Default which is continuing, the Secured Party may at its option, without notice to or demand on the Debtor and in addition to all rights and remedies available to the Secured Party with respect to the Secured Obligations, at law, in equity or otherwise, do any one or more of the following:

- (a) foreclose or otherwise enforce the security interest constituted hereby in any manner permitted by law or provided for in this Agreement;
- (b) sell, lease or otherwise dispose of any Collateral at one or more public or private sales at the Secured Party's place of business or any other place or places, including any broker's board or securities exchange, whether or not such

Collateral is present at the place of sale, for cash or credit or future delivery, on such terms and in such manner as the Secured Party may determine;

- (c) use or transfer the Debtor's rights and interests in any Intellectual Property Collateral by license, by sublicense (to the extent permitted by an applicable license), assignment or otherwise, on such conditions and in such manner as the Secured Party may determine;
- (d) recover from the Debtor all costs and expenses, including reasonable legal fees and disbursements, incurred or paid by the Secured Party in exercising any right, power or remedy provided by this Agreement;
- (e) require the Debtor to assemble the Collateral and make it available to the Secured Party at a place to be designated by the Secured Party;
- (f) enter onto property where any Collateral is located and take possession thereof with or without judicial process; and
- (g) prior to the disposition of the Collateral, store, process, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent the Secured Party deems appropriate and in connection with such preparation and disposition, without charge, use any trade-mark, tradename, copyright, patent or technical process used by the Debtor.

7.2 Notice of Sale

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor shall be given ten (10) Business Days prior notice of the time and place of any public sale or of the time after which any private sale or other intended disposition of Collateral is to be made, which notice the Debtor hereby agrees shall be deemed reasonable notice thereof. Upon any sale or other disposition pursuant to this Agreement, the Secured Party shall have the right to deliver, assign and transfer to the purchaser thereof, the Collateral or portion thereof so sold or disposed of. The Secured Party shall have the right upon any public sale, and, to the extent permitted by law, upon any private sale, to purchase the whole or any part of the Collateral so sold. Each purchaser at any such sale or other disposition (including the Secured Party) shall hold the Collateral free from any claim or right of whatever kind, including any equity or right of redemption of the Debtor and the Debtor specifically waives (to the extent permitted by applicable law) all rights of redemption, stay or appraisal which it has or may have under any rule of law or statute now existing or hereafter adopted.

7.3 License

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor hereby grants to the Secured Party an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to the Debtor) or (to the extent permitted by the applicable license)

sublicense to use, license or sublicense any Intellectual Property Collateral, subject with respect to trade-marks to reasonable and appropriate quality control provisions.

7.4 Appointment of Receiver

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may, in addition to any other rights it may have, appoint by instrument in writing a receiver, monitor, consultant, liquidator or receiver and manager (all of which are herein called a “**Receiver**”) of all or any part of the Collateral 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 and exclusions and limitations of liability as the Secured Party has under this Agreement, at law or in equity. In exercising any such powers, any such Receiver shall, to the extent permitted by applicable law, act as and for all purposes be deemed to be the agent of the Debtor, and the Secured Party shall not be responsible for any act or default of any such Receiver. The Secured Party 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 Secured Party. A court need not appoint, ratify the appointment by the Secured Party of or otherwise supervise in any manner the actions of any Receiver. Upon the Debtor receiving notice from the Secured Party of the taking of possession of the Collateral or the appointment of a Receiver, all powers, functions, rights and privileges of the Debtor and, to the extent permitted by applicable law, its directors and officers with respect to the Collateral shall cease, unless specifically continued by the written consent of the Secured Party.

7.5 Carrying on Business

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may carry on, or concur in the carrying on of, all or any part of the business or undertaking of the Debtor, may, subject to the rights and liens of third parties but to the exclusion of the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertakings of or occupied or used by the Debtor and may use all or any of the tools, machinery, equipment and intangibles of the Debtor for such time as the Secured Party sees fit, free of charge, to carry on the business of the Debtor and, if applicable, to manufacture or complete the manufacture of any Inventory and to pack and ship the finished product.

7.6 Dealing with Collateral

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with the Collateral or any part thereof in such manner, upon such terms and conditions and at such time or times as may seem to it advisable, all without notice to the Debtor except as otherwise required by any applicable law. The Secured Party may demand, sue for and receive any Accounts with or without notice to the Debtor, give such receipts, discharges and extensions of time and make such

compromises in respect of any Accounts which may, in the Secured Party's absolute discretion, seem bad or doubtful. The Secured Party 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 Collateral and in connection with the protection and enforcement of the rights of the Secured Party hereunder including, without limitation, in connection with advice with respect to any of the foregoing. The amount of such sums shall be deemed advanced to the Debtor by the Secured Party, shall become part of the Secured Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Secured Obligations or any part thereof and shall be secured by this Agreement.

7.7 Right to Use

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor hereby grants to the Secured Party a license or other right to use, without charge, all of the Debtor's present and future property, whether real or personal, including, without limitation, labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trade-marks, services marks, and advertising matter, or any other property of any nature or of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling of any Collateral and the Debtor's rights under all licenses and all franchise agreements shall inure to the Secured Party.

7.8 Retention of Collateral

Upon notice to the Debtor and subject to any obligation to dispose of any of the Collateral, as provided in the PPSA, the Secured Party may elect to retain all or any part of the Collateral in satisfaction of the Secured Obligations or any of them.

7.9 Pay Encumbrances

The Secured Party may pay any Encumbrances that may exist or be threatened against the Collateral. In addition, the Secured Party may borrow money required for the maintenance, preservation or protection of the Collateral or for the carrying on of the business or undertaking of the Debtor and may grant further security interests in the Collateral in priority to the security interest 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 be deemed to have been advanced to the Debtor by the Secured Party, shall become part of the Secured Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Secured Obligations or any part thereof and shall be secured by this Agreement.

7.10 Application of Payments

Any and all payments made in respect of the Secured Obligations from time to time and moneys realized on the Collateral may be applied to such part or parts of the Secured Obligations as the Secured Party may see fit. The Secured Party shall, at all times and from time to time, have the right to change any appropriation as it may see fit. Any insurance moneys received by the Secured Party pursuant to this Agreement may, at the option of the Secured Party, be applied against the Secured Obligations as the Secured Party thinks fit.

7.11 Set-off

The Secured Obligations will be paid by the Debtor without regard to any equities between the Debtor and the Secured Party or any of the Beneficiaries or any right of set-off or cross-claim. If an Event of Default has occurred and is continuing, any indebtedness owing by the Secured Party to the Debtor may be set-off and applied by the Secured Party against the Secured Obligations either before or after maturity, without demand upon or notice to anyone and regardless of the currency in which the indebtedness is denominated.

7.12 Deficiency

If the proceeds of the realization of the Collateral are insufficient to repay the Secured Obligations, the Debtor shall forthwith pay such deficiency or cause such deficiency to be paid to the Secured Party.

7.13 Secured Party Not Liable

The Secured Party shall not be liable or accountable for any failure to seize, collect, realize, dispose of, enforce or otherwise deal with the Collateral, shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, firm or corporation in respect of the Collateral and shall not be liable or responsible for any loss, cost or damage whatsoever which may arise in respect of any such failure including, without limitation, resulting from the negligence of the Secured Party or any of its officers, servants, agents, solicitors, attorneys, Receivers or otherwise unless arising from gross negligence or wilful misconduct. Neither the Secured Party nor its officers, servants, agents, or Receivers shall be liable by reason of any entry into possession of the Collateral or any part thereof, to account as a mortgagee in possession, for anything except actual receipts, for any loss on realization, for any act or omission for which a mortgagee in possession might be liable, for any negligence in the carrying on or occupation of the business or undertaking of the Debtor or for any loss, cost, damage or expense whatsoever which may arise in respect of any such actions, omissions or negligence unless arising from gross negligence or wilful misconduct.

7.14 Extensions of Time

The Secured Party 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 Collateral to third parties and otherwise deal or fail to deal with the Debtor, subsidiaries of the Debtor, guarantors, sureties and others and with the Collateral and other securities as the Secured Party may see fit, all without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights and powers under this Security Agreement.

7.15 Rights in Addition

The rights and powers conferred by this Section are in supplement of and in addition to and not in substitution for any other rights or powers the Secured Party may have from time to time under this Agreement, any other Indenture Document or under applicable law. The Secured Party may proceed by way of any action, suit, remedy or other proceeding at law or in equity and no such remedy for the enforcement of the rights of the Secured Party shall be exclusive of or dependent on any other such remedy. Any one or more of such remedies may from time to time be exercised separately or in combination.

ARTICLE 8 - PERFECTION AND PRIORITY

8.1 Financing Statements, Etc.

The Debtor shall be solely responsible for ensuring that all registrations in respect of the security constituted hereby are made and maintained as may be necessary or desirable to perfect and protect such security as first ranking (subject only to Permitted Encumbrances) security interests in accordance with the terms and conditions of the Indenture. Notwithstanding the foregoing, in the event that the Secured Party decides, in its sole discretion, to make any such registrations, the Debtor hereby authorizes the Secured Party to file at any time and from time to time any financing statements describing the Collateral, and the Debtor shall execute and deliver to the Secured Party, and the Debtor hereby authorizes the Secured Party to file (with or without the Debtor's signature), at any time and from time to time, all amendments to financing statements, continuation financing statements, termination statements, security agreements relating to the Intellectual Property Collateral, assignments, fixture filings, affidavits, reports, notices and all other documents and instruments, in form satisfactory to the Secured Party, as the Secured Party may request, to perfect and continue perfected, maintain the priority of or provide notice of the Secured Party's security interest in the Collateral and to accomplish the purposes of this Agreement. Without limiting the generality of the foregoing, the Debtor ratifies and authorizes the filing by the Secured Party of any financing statements filed prior to the date hereof.

8.2 Bailees

Any Person (other than the Secured Party) at any time and from time to time holding all or any portion of the Collateral shall be deemed to, and shall, hold the Collateral as the

agent of, and as pledge holder for, the Secured Party. At any time and from time to time, the Secured Party may give notice to any such Person holding all or any portion of the Collateral that such Person is holding the Collateral as the agent and bailee of, and as pledge holder for, the Secured Party, and obtain such Person's written acknowledgment thereof. Without limiting the generality of the foregoing, the Debtor will join with the Secured Party in notifying any Person who has possession of any Collateral of the Secured Party's security interest therein and obtaining an acknowledgment from such Person that it is holding the Collateral for the benefit of the Secured Party.

8.3 Control

If any of the Collateral consists of Investment Property: (a) the Debtor authorizes the Secured Party to transfer such Collateral or any part thereof into its own name or that of its nominee so that the Secured Party or its nominee may appear of record as the sole owner thereof; provided, that until the security hereby constituted becomes enforceable, the Secured Party shall deliver promptly to the Debtor all notices, statements or other communications received by it or its nominee as such registered owner, and upon demand and receipt of payment of necessary expenses thereof, shall give to the Debtor or its designee a proxy or proxies to vote and take all action with respect to such property; provided further that after the security hereby constituted becomes enforceable, the Debtor waives all rights to be advised of or to receive any notices, statements or communications received by the Secured Party or its nominee as such record owner, and agrees that no proxy or proxies given by the Secured Party to the Debtor or its designee as aforesaid shall thereafter be effective; and (b) the Debtor further agrees to execute such other documents and to perform such other acts, and to cause any issuer or securities intermediary to execute such other documents and to perform such other acts as may be necessary or appropriate in order to give the Secured Party "control" of such Investment Property, as defined in any applicable statute similar in application to the *Securities Transfer Act* (Ontario), which "control" shall be in such manner as the Secured Party shall designate in its sole judgement and discretion, including, without limitation, an agreement by an issuer or securities intermediary that it will comply with instructions in the case of an issuer or entitlement orders in the case of a securities intermediary, originated by the Secured Party, whether before or after security hereby constituted becomes enforceable, without further consent by the Debtor.

ARTICLE 9 - MISCELLANEOUS

9.1 Amendments and Waivers

Except to the extent otherwise provided herein or in any other Indenture Document, (a) no amendment to any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the Debtor and the Secured Party and (b) no waiver of any provision of this Agreement, or consent to any departure by the Debtor or other party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party. Any such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

9.2 Notices

All notices required or permitted under this Agreement shall be given in the manner and to the addresses of the parties specified in the Indenture.

9.3 No Waiver; Cumulative Remedies

No failure on the part of the Secured Party to exercise, and no delay in exercising, any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to the Secured Party.

9.4 Binding Effect

This Agreement shall be binding upon the Debtor and its successors and assigns, including any successor by reason of amalgamation, and inure to the benefit of and be enforceable by the Secured Party and the Beneficiaries and their respective successors, endorsees, transferees, participants and assigns.

9.5 Assignment

The Debtor may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Secured Party, and any attempted assignment in violation of this provision shall be null and void. The Secured Party may assign this Agreement in whole or in part to any Person acquiring an interest in the Secured Obligations in accordance with the provisions of the Indenture.

9.6 Costs and Expenses

The Debtor agrees to pay on demand all reasonable costs and expenses of the Secured Party, any Receiver, or the agents of the Secured Party or any Receiver, and reasonable legal fees and disbursements in connection with the perfection, enforcement, or preservation of any rights under, this Agreement and the other Indenture Documents.

9.7 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation, it shall be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement.

9.8 Governing Law

This Agreement is to be exclusively construed in accordance with and governed by the internal laws of the Province of Ontario and the federal laws of Canada applicable therein without giving effect to any choice of law rule or principle that would cause the application of the laws of any jurisdiction other than the internal laws of the Province of Ontario and the federal laws of Canada applicable therein to the rights and duties of the Debtor and the Secured Party.

9.9 Submission to Jurisdiction

The Debtor hereby (a) submits to the non-exclusive jurisdiction of the courts of the Province of Ontario sitting in Toronto for the purpose of any action or proceeding arising out of or relating to this Agreement and the other Indenture Documents, (b) agrees that all claims in respect of any such action or proceeding may be heard and determined in such courts, (c) irrevocably waives (to the extent permitted by applicable law) any objection which it now or hereafter may have to the laying of venue of any such action or proceeding brought in any of the foregoing courts, and any objection on the ground that any such action or proceeding in any such court has been brought in an inconvenient forum and (d) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner permitted by law.

9.10 Entire Agreement

This Agreement and the other Indenture Documents constitutes the entire agreement of the parties hereto with respect to the matters set forth herein and supersede any prior agreements, commitments, drafts, communications, discussions and understandings, oral or written, with respect thereto.

9.11 Counterparts

This Agreement may be executed in several counterparts and delivered by facsimile or other electronic transmission, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement.

9.12 Termination

Upon indefeasible payment and performance in full of all Secured Obligations, the security interests created by this Agreement shall terminate and the Secured Party shall execute and deliver to the Debtor, at the Debtor's sole cost and expense, such documents and instruments reasonably requested by the Debtor as shall be necessary to evidence termination of all security interests given by the Debtor to the Secured Party hereunder.

9.13 Indemnity

The Debtor hereby agrees to indemnify the Secured Party and each of the Beneficiaries, and their respective successors, assigns, agents and employees, from and against any and

all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature (including, without limitation, all reasonable expenses of litigation or preparation therefor whether or not the Secured Party or any of the Beneficiaries is a party thereto) imposed on, incurred by or asserted against the Secured Party or any of the Beneficiaries, or their respective successors, assigns, agents and employees, in any way relating to or arising out of this Agreement, or the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Collateral (including, without limitation, latent and other defects, whether or not discoverable by the Secured Party, any of the Beneficiaries or the Debtor, and any claim for patent, trade-mark or copyright infringement), except for the gross negligence or wilful misconduct of the Secured Party.

9.14 Acknowledgement of Receipt

The Debtor acknowledges receipt of a copy of this Agreement.

9.15 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Indenture, the provisions of the Indenture shall prevail and be paramount, but only to the extent of such inconsistency.

[Signature page follows]

IN WITNESS WHEREOF the undersigned has executed and delivered this Agreement with effect as of the date first written above.

GRAJACK INDUSTRIES LTD.

By: _____
Name: Scott Kellaway
Title: President

SCHEDULE "A"
TRADE NAMES, AMALGAMATIONS AND PRIOR NAMES

Trade Names or Styles

Lons Memorial

Amalgamations

Nil.

Other Prior Names

Nil.

9903476.1

GENERAL SECURITY AGREEMENT

THIS GENERAL SECURITY AGREEMENT (this “**Agreement**”) is dated with effect as of this ____ day of July, 2011 by **R. H. VERDUYN GRANITE COMPANY LTD.** (the “**Debtor**”) to and in favour of **COMPUTERSHARE TRUST COMPANY OF CANADA** as the Debenture Trustee for and on behalf of itself and the Debentureholders (as such term is defined in the Indenture referred to below) (the “**Secured Party**”).

RECITALS:

- A. FAMILY MEMORIALS INC.** (the “**Corporation**”) is or is about to become indebted to the Secured Party and the Debentureholders (collectively, the “**Beneficiaries**”) pursuant or in connection with certain Debentures issued or to be issued pursuant to an indenture made between the Corporation and the Secured Party dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Indenture**”);
- B.** In connection with the Indenture, the Debtor has executed and delivered a guarantee of the Corporation’s obligations to the Secured Party and the Beneficiaries, dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Guarantee**”); and
- C.** As security for the obligations of the Debtor under the Guarantee, the Debtor desires to create in favour of the Secured Party for the benefit of the Beneficiaries a security interest in all of the property and assets of the Debtor, as hereinafter provided.

NOW THEREFORE, in consideration of the amounts advanced to the Corporation by the Debentureholders in connection with the Debentures issued pursuant to the Indenture, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor covenants and agrees to and in favour of the Secured Party as follows:

ARTICLE 1 - DEFINITIONS; INTERPRETATION

1.1 Defined Terms

Except as otherwise expressly provided herein, capitalized terms used in this Agreement but not defined herein shall have the meanings assigned to such terms in the Indenture. In this Agreement or any amendment to this Agreement, unless the context clearly indicates to the contrary:

- (a) “**Encumbrance**” means any security interest, mortgage, hypothec, deed of trust, trust or other adverse claim or right, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a Person, whether now owned or subsequently acquired and whether arising by agreement, statute or operation of law.

- (b) **“Indenture Documents”** means the Indenture, the Debentures, the Guarantee, this Agreement and any other Security Documents and any agreements, documents or other instruments executed in connection therewith;
- (c) **“Intellectual Property Collateral”** means the following properties and assets owned or held by the Debtor or in which the Debtor otherwise has any interest, now existing or hereafter acquired or arising:
 - (i) all patents and patent applications, domestic or foreign, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, all rights to sue for past, present or future infringement thereof, all rights arising therefrom and pertaining thereto and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof;
 - (ii) all copyrights and applications for copyright, domestic or foreign, together with the underlying works of authorship (including titles), whether or not the underlying works of authorship have been published and whether said copyrights are statutory or arise under the common law, and all other rights and works of authorship, all computer programs, computer databases, computer program flow diagrams, source codes, object codes and all tangible property embodying or incorporating any copyrights, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, and all other rights, claims and demands in any way relating to any such copyrights or works, including royalties and rights to sue for past, present or future infringement, and all rights of renewal and extension of copyright; and
 - (iii) all state and provincial (including common law), federal and foreign trade-marks, service marks and trade names, and applications for registration of such trade-marks, service marks and trade names, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, whether registered or unregistered and wherever registered, all rights to sue for past, present or future infringement or unconsented thereof, all rights arising therefrom and pertaining thereto and all reissues, extensions and renewals thereof;
- (d) **“Receiver”** has the meaning ascribed thereto in Section 7.4; and
- (e) **“Rights to Payment”** has the meaning ascribed thereto in Section 4.8.

1.2 Terms Defined in Ontario Personal Property Security Act

Where applicable and except as defined herein, terms used herein shall have the meanings assigned to them in the *Personal Property Security Act* as the same may, from time to time, be in effect in the Province of Ontario (the “PPSA”). Such terms include: “accounts”, “chattel paper”, “documents of title”, “equipment”, “intangibles”,

“instruments”, “inventory”, “investment property”, “money”, “proceeds” and “security”.

ARTICLE 2 - GRANT OF SECURITY INTEREST; COLLATERAL

2.1 Grant of Security Interest

As security for the payment and performance of the Secured Obligations (as defined in Section 3), the Debtor hereby:

- (a) mortgages and charges to the Secured Party for the benefit of the Beneficiaries, and charges and grants to the Secured Party for the benefit of the Beneficiaries, a security interest in, to and under, all of its personal property and all proceeds thereof, wherever located and whether now existing or hereafter acquired or arising, including, without limitation, the following property:
 - (i) all present and future investment property held by the Debtor, including securities, security entitlements, securities accounts, future contracts, future accounts, shares, options, rights, warrants, joint venture interests, interests in limited partnerships, trust units, bonds, debentures and all other documents which constitute evidence of a share, participation or interest of the Debtor in property or in an enterprise or which constitute evidence of an obligation of the issuer; and all substitutions therefore, and subject to Section 6.2, dividends and income derived therefrom, all of which are herein called the “**Pledged Collateral**”;
 - (ii) all accounts and book debts of the Debtor, chattel paper, documents of title, instruments, and intangibles of the Debtor, including all debts, dues, claims choses in action and demands of every nature and kind, howsoever arising or secured, including letters of credit, guarantees and advices of credit that are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by the Debtor, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, and all supporting obligations of any or all of the forgoing (“**Accounts**”);
 - (iii) all inventory of the Debtor, including all merchandise, goods and other personal property that are held for sale or lease or that have been leased by the Debtor or that are to be furnished under a contract of service, all raw materials, work in process, materials used or consumed in the Debtor’s business and finished goods, all goods in which the Debtor has an interest in mass or a joint or other interest or gifts of any kind (including goods in which the Debtor has an interest or right as consignee), and all goods which are returned to or repossessed by the Debtor, together with all additions and accessions thereto and replacements therefor and products thereof and documents therefor (“**Inventory**”);

- (iv) all equipment of the Debtor and all parts thereof and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor, including, all machinery, tools, dies, blueprints, catalogues, computer hardware and software, furniture, furnishings, vehicles and fixtures (“**Equipment**”);
- (v) all Intellectual Property Collateral;
- (vi) all money maintained in a deposit or other account in the Debtor’s name with any financial institution, and all certificates, instruments and other writings, if any, from time to time representing, evidencing or deposited into such accounts, and all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing;
- (vii) all now existing and hereafter arising contracts and agreements to which the Debtor is party (each, an “**Assigned Agreement**”), including, without limitation, all rights of the Debtor to receive moneys due and to become due under or pursuant to the Assigned Agreements, all rights of the Debtor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements, all claims of the Debtor for damages arising out of or for breach of or default under the Assigned Agreements, and all rights of the Debtor to terminate, amend, supplement or modify the Assigned Agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder; *provided, however*, that with respect to any such contract or agreement where the grant of a security interest in the Debtor’s right, title and interest therein is prohibited by the terms thereof, or would give any other party the right to terminate its obligations thereunder, or is not permitted because any necessary consent to such grant has not been obtained, (A) the Debtor shall hold such contract or agreement in trust for the Secured Party (for the benefit of the Beneficiaries) and the Collateral (as defined below) shall include only the rights of the Debtor to receive moneys due and to become due, if any, under or pursuant to such contract or agreement, and (B) the Debtor shall, following the occurrence of an Event of Default that is continuing, assign any such contract or agreement as directed by the Secured Party, whereupon it shall form part of the Collateral;
- (viii) all books, records, writings, databases, information and other property relating to, used or useful in connection with, embodying, incorporating or referring to, any of the Collateral;
- (ix) all cash and cash equivalents held by the Debtor not otherwise included in the description of the Debtor’s property in this Section 2.1; and
- (x) all products and proceeds of the Collateral (with the term “**proceeds**” having the meaning provided in the PPSA and also including any

voluntary or involuntary disposition, and all rights to payment, including return premiums, with respect to any insurance);

- (b) grants, mortgages and charges, to and in favour of the Secured Party, as and by way of a fixed and specific mortgage and charge, and as and by way of a floating charge, all of its currently owned and held or hereafter acquired real property and interests therein of every nature and kind and wherever situate; and
- (c) grants, mortgages and charges, to and in favour of the Secured Party, as and by way of a floating charge, all of its currently owned and held or hereafter acquired property, assets and undertakings of every nature and kind and wherever situate, except such of its property, assets, undertakings and interests as are validly subject to the mortgages, charges and security interests granted pursuant to Sections 2.1(a) and (b).

2.2 Collateral.

The term “**Collateral**” means, collectively, all of the Debtor’s right, title and interest in and to all of the Debtor’s present and after-acquired property (real and personal), assets and undertakings, and all proceeds thereof (except the property of the Debtor described in Section 2.3) of whatsoever nature and kind and wherever situate including without limiting the generality of the foregoing all of the property described in Section 2.1.

2.3 Excluded Collateral

Notwithstanding Section 2.1, the Collateral shall not include: (a) any property held in trust by the Debtor and lawfully belonging to others, (b) the last day of the term of any lease of real property, provided that the Debtor shall stand possessed of such last day and shall assign and transfer such interest as instructed by the Secured Party; (c) with respect to Section 2.1(a)(iii), any consumer goods used as such by the Debtor; or (d) the interests described in the proviso to Section 2.1(a)(vii) as being excluded from the Collateral.

2.4 Debtor Remains Liable

Anything herein to the contrary notwithstanding, (a) the Debtor shall remain liable under all Assigned Agreements, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Debtor from any of its duties or obligations under such Assigned Agreements, and (c) neither the Secured Party nor any of the Beneficiaries shall have any obligation or liability under any Assigned Agreements by reason of this Agreement, nor shall the Secured Party or any of the Beneficiaries be obligated to perform any of the obligations or duties of the Debtor thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Collateral hereunder.

2.5 Continuing Security Interest

The Debtor agrees that this Agreement shall create a general collateral continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 9.12.

2.6 Attachment

The Debtor acknowledges that the security interest created hereby attaches to existing Collateral upon the execution of this Agreement and that such security interest will attach to Collateral acquired after the date of execution of this Agreement at the time that the Debtor acquires rights in that Collateral. The Debtor and the Secured Party agree that value has been given. The Debtor represents and warrants that it has rights in the existing Collateral.

2.7 Unlimited Liability Companies

Nothing in this Agreement or any other agreement between the Debtor and the Secured Party is intended to, and nothing in this Agreement or any other agreement between the Debtor and the Secured Party will, constitute the Secured Party or any person other than the Debtor, a shareholder or member of any unlimited liability company (“**ULC**”) for the purposes of (to the extent applicable) the *Companies Act* (Nova Scotia), the *Business Corporations Act* (Alberta), the *Business Corporations Act* (British Columbia) or any other applicable incorporation statute which provides for ULCs until notice is given to the Debtor and further steps are taken to register the Secured Party or other person as holder of shares or other interests in the ULC (“**ULC Shares**”). To the extent that any provision of this Agreement would have the effect of constituting the Secured Party as a shareholder or member of a ULC, that provision will be severed from this Security Agreement and ineffective without otherwise invalidating or rendering unenforceable: (a) this Agreement; or (b) that provision to the extent that it relates to Collateral other than ULC Shares.

ARTICLE 3 - SECURED OBLIGATIONS

3.1 Secured Obligations

The obligations secured by this Agreement shall consist of all indebtedness, obligations and liabilities of the Debtor to the Secured Party or the Beneficiaries, including, without limitation, those arising under, in connection with, and relating to the Indenture Documents, whether now existing or hereafter arising, as principal or surety, voluntary or involuntary, whether or not jointly owed with others, direct or indirect, absolute or contingent, liquidated or unliquidated, and whether or not from time to time decreased or extinguished and later increased, created or incurred, together with all expenses (including reasonable legal fees on a solicitor and client basis) incurred by the Secured Party, any receiver, receiver-manager or agent in the preparation, perfection and enforcement of security and other agreements held by the Secured Party in respect of such obligations and liabilities and interest thereon (all of which obligations, liabilities, expenses and interest are referred to collectively as the “**Secured Obligations**”).

ARTICLE 4 - REPRESENTATIONS AND WARRANTIES

In addition to all representations and warranties of the Debtor set forth in the other Indenture Documents, which are incorporated herein by this reference, the Debtor hereby represents and warrants that:

4.1 Sole Owner

The Debtor is the sole owner of and has good and marketable title to the Collateral (or will be the sole owner of and will have good and marketable title to, in the case of after-acquired Collateral).

4.2 No Adverse Claim

No Person has (or, in the case of after-acquired Collateral, at the time the Debtor acquires rights therein, will have) any right, title, claim or interest (by way of security interest or other Encumbrance, adverse rights or claims or other Encumbrances) in, against or to the Collateral other than Permitted Encumbrances.

4.3 Full Disclosure

All information herein supplied to the Secured Party by or on behalf of the Debtor with respect to the Collateral is accurate and complete in all material respects as of the date hereof.

4.4 Delivery of Collateral

The Debtor has delivered to the Secured Party all instruments and chattel paper and other items of Collateral in which a security interest is or may be perfected by possession, together with such additional writings, including assignments, with respect thereto as the Secured Party shall request.

4.5 Intellectual Property

All of the patents, trade-marks, and copyrights of the Debtor have been registered or applied to be registered with the United States Patent and Trademark Office, the United States Copyright Office or the Canadian Intellectual Property Office, as appropriate.

4.6 Chief Executive Office; Trade Names; Collateral Location; Records Location

The Debtor's chief executive office is in the Province of Ontario; the only trade name(s) or style(s) used by the Debtor are listed on **Schedule "A"**; and, the Debtor's records concerning the Collateral are located at its chief executive office. The Debtor has not, except as disclosed on **Schedule "A"** hereto, at any time in the past: (a) been known as or used any other corporate, trade or fictitious name; (b) changed its name; (c) been the surviving or resulting corporation in a merger or consolidation; or (d) acquired through asset purchase or otherwise any business of any Person.

4.7 Enforceability; Priority of Security Interest

- (a) This Agreement creates a security interest which is enforceable against the Collateral in which the Debtor now has rights and will create a security interest which is enforceable against the Collateral in which the Debtor hereafter acquires rights at the time the Debtor acquires any such rights; and (b) the Secured Party, on behalf of the Beneficiaries, has a perfected and (subject only to Permitted Encumbrances) first priority security interest in the Collateral, in which the Debtor now has rights, and will have a perfected and (subject only to Permitted Encumbrances) first priority security interest in the Collateral in which the Debtor hereafter acquires rights at the time the Debtor acquires any such rights, in each case securing the payment and performance of the Secured Obligations.

4.8 Rights to Payment

- (a) The Accounts and any and all of the Debtor's rights and claims to the payment or receipt of money or other forms of consideration of any kind in, to and under or with respect to its chattel paper, documents of title, intangibles, instruments, proceeds and supporting obligations (collectively, "**Rights to Payment**") represent valid, binding and enforceable obligations of the account debtors or other Persons obligated thereon, representing undisputed, *bona fide* transactions completed in accordance with the terms and provisions contained in any documents related thereto, and are genuine, free from any Encumbrances and not subject to any adverse claims, counterclaims, setoffs, defaults, disputes, defenses, discounts, retainages, holdbacks or conditions precedent of any kind of character, except to the extent reflected by the Debtor's reserves for uncollectible Rights to Payment or to the extent, if any, that such account debtors or other Persons may be entitled to normal and ordinary course trade discounts, returns, adjustments and allowances in accordance with Section 5.13 or as otherwise disclosed to the Secured Party in writing;
- (b) to the best of the Debtor's knowledge, all account debtors and other obligors on the Rights to Payment are solvent and generally paying their debts as they come due;
- (c) all Rights to Payment comply with all applicable laws concerning form, content and manner of preparation and execution, including where applicable any federal or state consumer credit laws;
- (d) the Debtor has not assigned any of its rights under the Rights to Payment other than Permitted Encumbrances as provided in this Agreement or as set forth in the other Indenture Documents;
- (e) all statements made, all unpaid balances and all other information in the Debtor's books and other documentation relating to the Rights to Payment are true and correct and in all respects what they purport to be; and

- (f) the Debtor has no knowledge of any fact or circumstance which would impair the validity or collectibility of any of the Rights to Payment.

4.9 Inventory

No inventory is stored with any bailee, warehouseman or similar Person or on any premises leased to the Debtor, nor has any inventory been consigned to the Debtor or consigned by the Debtor to any Person or is held by the Debtor for any Person under any “bill and hold” or other arrangement, except as disclosed to the Secured Party in writing.

4.10 Equipment

- (a) none of the Equipment or other Collateral is affixed to real property except Collateral with respect to which the Debtor has supplied the Secured Party with all information and documentation necessary to make all fixture filings required to perfect and protect the priority of the Secured Party’s security interest in all such Collateral which may be fixtures as against all Persons having an interest in the premises to which such property may be affixed; and
- (b) none of the Equipment is leased from or to any Person, except as otherwise disclosed in writing to the Secured Party.

4.11 Valid Issuance of Pledged Collateral

All the Pledged Collateral have been, and upon issuance any Pledged Collateral will be, duly and validly issued, and are and will be fully paid and non assessable.

4.12 Capitalization of the Pledged Subsidiary

The Pledged Collateral constitutes 100% of the issued and outstanding shares of capital stock and other ownership interests of the various issuers owned by the Debtor (which, as of the date hereof, constitutes 100% of the issued and outstanding shares of capital stock and other ownership interests of each issuer).

4.13 Options, Warrants, Etc.

Other than pursuant to the Indenture Documents, no securities convertible into or exchangeable for any shares of capital stock or other ownership interests of any issuer, or any options, warrants or other commitments entitling any Person to purchase or otherwise acquire any shares of capital stock or other ownership interests of any issuer, are issued and outstanding.

4.14 Transfer Restrictions

Other than such authorizations and approvals as have been obtained by the Debtor, there are no restrictions on the transferability of the Pledged Collateral to the Secured Party or with respect to the foreclosure, transfer or disposition thereof by the Secured Party on behalf of the Beneficiaries.

4.15 Shareholders Agreements

There are no shareholders, partners or members agreements, voting trusts, proxy agreements or other agreements or understandings which affect or relate to the voting or giving of written consents with respect to any of the Pledged Collateral.

4.16 Pledged Collateral

The Debtor is not in default in the payment of any portion of any mandatory capital contribution, if any, required to be made under any agreement to which the Debtor is a party relating to the Pledged Collateral pledged by it, and the Debtor is not in violation of any other provisions of any such agreement to which the Debtor is a party, or otherwise in default or violation thereunder. No Pledged Collateral pledged by the Debtor is subject to any defense, offset or counterclaim, nor have any of the foregoing been asserted or alleged against the Debtor by any Person with respect thereto, and as of the date hereof, there are no certificates, instruments, documents or other writings (other than the organizational documents and certificates, if any, delivered to the Secured Party which evidence any Pledged Collateral of the Debtor.

4.17 No Violation of Securities Laws

None of the shares in the capital of the Debtor or the Pledged Collateral has been issued, converted or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which they may be subject.

4.18 Control Agreements

No control agreements exist with respect to any Collateral other than any control agreements in favour of the Secured Party.

4.19 Intellectual Property Collateral

The Debtor does not own any Intellectual Property Collateral.

ARTICLE 5 - COVENANTS AND AGREEMENTS

In addition to all covenants and agreements of the Debtor set forth in the other Indenture Documents, which are incorporated herein by this reference, the Debtor hereby agrees, at no cost or expense to the Secured Party:

5.1 Preservation of Security Interest

To do all reasonable acts (other than acts which are required to be done by the Secured Party) that may be necessary to maintain, preserve and protect the Collateral and the perfection and (subject only to Permitted Encumbrances) the priority of the Security Interest of the Secured Party (for the benefit of the Beneficiaries) therein.

5.2 Actions and Proceedings

To appear in and defend any action or proceeding which may affect its title to or the Secured Party's or the Beneficiaries' interest in the Collateral.

5.3 Use of Collateral

Not to use any Collateral, or permit any Collateral to be used, unlawfully or in violation of any provision of this Agreement, any other agreement with the Secured Party related hereto, or any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Debtor or affecting any of the Collateral or any contractual obligation affecting any of the Collateral.

5.4 Insurance

The Debtor shall keep the Collateral insured to its fair market value.

5.5 Shareholders Agreements

The Debtor has not entered and will not enter into any shareholders, partners or members agreement, voting trust, proxy agreement or other agreement or understanding which affects or relates to the voting or giving of written consents with respect to any of the shares in the capital of the Debtor or the Pledged Collateral without the prior written consent of the Secured Party.

5.6 Issuance of Additional Shares

The Debtor will not consent to or approve, or allow any subsidiary to consent to or approve, of the issuance to any person or entity of any additional shares of any class of capital stock or other ownership interests of the Debtor or any of its subsidiaries, or of any securities convertible into or exchangeable for any such shares or other ownership interests, or any warrants, options or other rights to purchase or otherwise acquire any such shares or other ownership interests, except as approved in writing by the Secured Party.

5.7 Transfer of Collateral; Encumbrances

Not to surrender or lose possession of (other than to the Secured Party), sell, encumber, lease, rent, or otherwise dispose of or transfer any Collateral or right or interest therein as expressly provided herein and in the other Indenture Documents, and to keep the Collateral free of all Encumbrances except Permitted Encumbrances and as expressly permitted by the Indenture Documents or otherwise approved in writing by the Secured Party; *provided, however*, that, unless an Event of Default shall have occurred under any of the Indenture Documents, the Debtor may, in the ordinary course of business, sell or lease (provided it registers and perfects any primary lease or conditional sale agreement in accordance with applicable law) any Collateral consisting of inventory.

5.8 Delivery of Collateral

To account fully for and promptly deliver to the Secured Party, in the form received, all documents, chattel paper, all certificated securities with respect to investment property, instruments and agreements constituting Collateral hereunder, and all proceeds of the Collateral received, all endorsed to the Secured Party or in blank, as requested by the Secured Party, and accompanied by such stock powers as appropriate and until so delivered all such documents, instruments, agreements and proceeds shall be held by the Debtor in trust for the Secured Party (for the benefit of the Beneficiaries), separate from all other property of the Debtor.

5.9 Records

To keep separate, accurate and complete records of the Collateral and to provide the Secured Party with such records and such other reports and information relating to the Collateral as the Secured Party may reasonably request from time to time. To keep the records concerning the Collateral at the location(s) referred to in Section 4.6 and not to remove such records from such location(s) without the prior written consent of the Secured Party.

5.10 Chief Executive Office; Names

To give the Secured Party thirty (30) days' prior written notice of any change in the Debtor's chief executive office or legal name or trade name(s) or style(s).

5.11 Location of Collateral

To not keep any of the Collateral in jurisdictions other than those disclosed in writing to the Secured Party on or prior to the date hereof, provided that the Debtor shall be entitled to keep Collateral in any other jurisdiction in Canada upon thirty (30) days prior written notice to the Secured Party, and provided further that the Debtor shall have first done all things necessary to ensure that the Secured Party has a first ranking (subject only to Permitted Encumbrances) security interest in such Collateral, and shall have otherwise complied with all of its covenants under each of the Indenture Documents with respect to the Collateral.

5.12 Maintenance of Collateral

To keep the Collateral in good condition and repair (normal wear and tear excepted) and not to cause or permit any waste or unusual or unreasonable depreciation of the Collateral.

5.13 Rights to Payment

At all times, to:

- (a) with such frequency as the Secured Party may reasonably require, furnish to the Secured Party full and complete reports, in form and substance satisfactory to the

Secured Party, with respect to the Accounts, including information as to concentration, aging, identity of account debtors, letters of credit securing Accounts, disputed Accounts and other matters, as the Secured Party shall request;

- (b) give only normal discounts, allowances and credits as to Accounts and other Rights to Payment, in the ordinary course of business, according to normal trade practices utilized by the Debtor in the past, and enforce all Accounts and other Rights to Payment strictly in accordance with their terms, and take all such action to such end as may from time to time be reasonably requested by the Secured Party, except that the Debtor may grant any extension of the time for payment or enter into any agreement to make a rebate or otherwise to reduce the amount owing on or with respect to, or compromise or settle for less than the full amount thereof, any Account or other Right to Payment, in the ordinary course of business, according to normal trade practices utilized by the Debtor in the past;
- (c) if any discount, allowance, credit, extension of time for payment, agreement to make a rebate or otherwise to reduce the amount owing on, or compromise or settle, an Account or other Right to Payment exists or occurs, or if, to the knowledge of the Debtor, any dispute, setoff, claim, counterclaim or defence exists or has been asserted or threatened with respect to an Account or other Right to Payment, disclose such fact fully to the Secured Party in the books relating to such Account or other Right to Payment and in connection with any invoice or report furnished by the Debtor to the Secured Party relating to such Account or other Right to Payment;
- (d) if any Accounts arise from contracts with the government of the United States, Canada or any state, province or territory, or any department, agency or instrumentality thereof, immediately notify the Secured Party thereof and execute any documents and instruments and take any other steps requested by the Secured Party in order that all monies due and to become due thereunder shall be assigned to the Secured Party (for the benefit of the Beneficiaries) and notice thereof given to the appropriate authorities under applicable legislation, including (as applicable) the *Federal Assignment of Claims Act* of the United States of America or the *Financial Administration Act* of Canada;
- (e) in accordance with its sound business judgment, perform and comply in all material respects with its obligations in respect of the Accounts and other Rights to Payment; and
- (f) upon the request of the Secured Party (i) at any time, notify all or any designated portion of the account debtors and other obligors on the Rights to Payment of the security interest hereunder, and (ii) notify the account debtors and other obligors on the Rights to Payment or any designated portion thereof that payment shall be made directly to the Secured Party or to such other Person or location as the Secured Party shall specify.

5.14 Inventory

At all times, to:

- (a) at such times as the Secured Party shall request or as may be required under the Indenture Documents, prepare and deliver to the Secured Party a report of all Inventory, in form and substance satisfactory to the Secured Party;
- (b) upon the request of the Secured Party, take a physical listing of the Inventory and promptly deliver a copy of such physical listing to the Secured Party; and
- (c) not store any Inventory with a bailee, warehouseman or similar Person or on premises leased to the Debtor, nor dispose of any Inventory on a bill-and-hold, guaranteed sale, sale and return, sale on approval, consignment or similar basis, nor acquire any Inventory from any Person on any such basis, without in each case giving the Secured Party prior written notice thereof.

ARTICLE 6 - AUTHORIZED ACTION BY THE SECURED PARTY; RIGHTS TO PAYMENT

6.1 Authorized Action by the Secured Party

The Debtor hereby agrees that following the occurrence of an Event of Default which is continuing, without presentment, notice or demand, and without affecting or impairing in any way the rights of the Secured Party with respect to the Collateral, the obligations of the Debtor hereunder or the Secured Obligations, the Secured Party may, but shall not be obligated to and shall incur no liability to the Debtor or any third party for failure to, take any action that the Debtor is obligated by this Agreement to do and to exercise such rights and powers as the Debtor might exercise with respect to the Collateral, and the Debtor hereby irrevocably appoints the Secured Party as its attorney-in-fact to exercise such rights and powers, including, without limitation, the power and authority to:

- (a) collect by legal proceedings or otherwise and endorse, receive and receipt for all dividends, interest, payments, proceeds and other sums and property now or hereafter payable on or on account of the Collateral;
- (b) enter into any extension, reorganization, deposit, merger, consolidation or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for the Collateral;
- (c) insure, process and preserve the Collateral;
- (d) transfer the Collateral to its own or its nominee's name;
- (e) make any compromise or settlement, and take any action it deems advisable, with respect to the Collateral; and

- (f) notify any obligor on any Collateral to make payment directly to the Secured Party.

The foregoing power of attorney is coupled with an interest and irrevocable so long as the Secured Obligations have not been indefeasibly paid and performed in full. The Debtor hereby ratifies, to the extent permitted by law, all that the Secured Party shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 6.1. The Debtor agrees to reimburse the Secured Party upon demand for any reasonable costs and expenses, including reasonable legal fees, the Secured Party may incur while acting as the Debtor's attorney-in-fact hereunder, all of which costs and expenses are included in the Secured Obligations.

6.2 Investment Property and Instruments

Upon and after the occurrence of any Event of Default which is continuing, the Secured Party shall be entitled to receive, for the benefit of the Beneficiaries, all distributions and payments of any nature with respect to any investment property or instruments, and all such distributions or payments received by the Debtor shall be and shall be deemed to be held separate and apart and in trust exclusively for the Secured Party and, in accordance with the Secured Party's instructions, remitted to the Secured Party in the form received (with any necessary endorsements or instruments of assignment or transfer). Following the occurrence of an Event of Default which is continuing any such distributions and payments with respect to any investment property held in any securities account shall be held and retained in such securities account, in each case as part of the Collateral hereunder. Additionally, the Secured Party shall have the right, upon the occurrence of an Event of Default which is continuing, following prior written notice to the Debtor, to vote and to give consents, ratifications and waivers with respect to any investment property and instruments of the Debtor, and to exercise all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining thereto, as if the Secured Party were the absolute owner thereof; *provided* that the Secured Party shall have no duty to exercise any of the foregoing rights afforded to it and shall not be responsible to the Debtor or any other Person for any failure to do so or delay in doing so.

ARTICLE 7 - REMEDIES; NOTICE OF SALE; RECEIVERS

7.1 Remedies

Upon the occurrence of an Event of Default which is continuing, the Secured Party may at its option, without notice to or demand on the Debtor and in addition to all rights and remedies available to the Secured Party with respect to the Secured Obligations, at law, in equity or otherwise, do any one or more of the following:

- (a) foreclose or otherwise enforce the security interest constituted hereby in any manner permitted by law or provided for in this Agreement;
- (b) sell, lease or otherwise dispose of any Collateral at one or more public or private sales at the Secured Party's place of business or any other place or places, including any broker's board or securities exchange, whether or not such

Collateral is present at the place of sale, for cash or credit or future delivery, on such terms and in such manner as the Secured Party may determine;

- (c) use or transfer the Debtor's rights and interests in any Intellectual Property Collateral by license, by sublicense (to the extent permitted by an applicable license), assignment or otherwise, on such conditions and in such manner as the Secured Party may determine;
- (d) recover from the Debtor all costs and expenses, including reasonable legal fees and disbursements, incurred or paid by the Secured Party in exercising any right, power or remedy provided by this Agreement;
- (e) require the Debtor to assemble the Collateral and make it available to the Secured Party at a place to be designated by the Secured Party;
- (f) enter onto property where any Collateral is located and take possession thereof with or without judicial process; and
- (g) prior to the disposition of the Collateral, store, process, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent the Secured Party deems appropriate and in connection with such preparation and disposition, without charge, use any trade-mark, tradename, copyright, patent or technical process used by the Debtor.

7.2 Notice of Sale

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor shall be given ten (10) Business Days prior notice of the time and place of any public sale or of the time after which any private sale or other intended disposition of Collateral is to be made, which notice the Debtor hereby agrees shall be deemed reasonable notice thereof. Upon any sale or other disposition pursuant to this Agreement, the Secured Party shall have the right to deliver, assign and transfer to the purchaser thereof, the Collateral or portion thereof so sold or disposed of. The Secured Party shall have the right upon any public sale, and, to the extent permitted by law, upon any private sale, to purchase the whole or any part of the Collateral so sold. Each purchaser at any such sale or other disposition (including the Secured Party) shall hold the Collateral free from any claim or right of whatever kind, including any equity or right of redemption of the Debtor and the Debtor specifically waives (to the extent permitted by applicable law) all rights of redemption, stay or appraisal which it has or may have under any rule of law or statute now existing or hereafter adopted.

7.3 License

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor hereby grants to the Secured Party an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to the Debtor) or (to the extent permitted by the applicable license)

sublicense to use, license or sublicense any Intellectual Property Collateral, subject with respect to trade-marks to reasonable and appropriate quality control provisions.

7.4 Appointment of Receiver

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may, in addition to any other rights it may have, appoint by instrument in writing a receiver, monitor, consultant, liquidator or receiver and manager (all of which are herein called a “**Receiver**”) of all or any part of the Collateral 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 and exclusions and limitations of liability as the Secured Party has under this Agreement, at law or in equity. In exercising any such powers, any such Receiver shall, to the extent permitted by applicable law, act as and for all purposes be deemed to be the agent of the Debtor, and the Secured Party shall not be responsible for any act or default of any such Receiver. The Secured Party 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 Secured Party. A court need not appoint, ratify the appointment by the Secured Party of or otherwise supervise in any manner the actions of any Receiver. Upon the Debtor receiving notice from the Secured Party of the taking of possession of the Collateral or the appointment of a Receiver, all powers, functions, rights and privileges of the Debtor and, to the extent permitted by applicable law, its directors and officers with respect to the Collateral shall cease, unless specifically continued by the written consent of the Secured Party.

7.5 Carrying on Business

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may carry on, or concur in the carrying on of, all or any part of the business or undertaking of the Debtor, may, subject to the rights and liens of third parties but to the exclusion of the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertakings of or occupied or used by the Debtor and may use all or any of the tools, machinery, equipment and intangibles of the Debtor for such time as the Secured Party sees fit, free of charge, to carry on the business of the Debtor and, if applicable, to manufacture or complete the manufacture of any Inventory and to pack and ship the finished product.

7.6 Dealing with Collateral

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with the Collateral or any part thereof in such manner, upon such terms and conditions and at such time or times as may seem to it advisable, all without notice to the Debtor except as otherwise required by any applicable law. The Secured Party may demand, sue for and receive any Accounts with or without notice to the Debtor, give such receipts, discharges and extensions of time and make such

compromises in respect of any Accounts which may, in the Secured Party's absolute discretion, seem bad or doubtful. The Secured Party 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 Collateral and in connection with the protection and enforcement of the rights of the Secured Party hereunder including, without limitation, in connection with advice with respect to any of the foregoing. The amount of such sums shall be deemed advanced to the Debtor by the Secured Party, shall become part of the Secured Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Secured Obligations or any part thereof and shall be secured by this Agreement.

7.7 Right to Use

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor hereby grants to the Secured Party a license or other right to use, without charge, all of the Debtor's present and future property, whether real or personal, including, without limitation, labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trade-marks, services marks, and advertising matter, or any other property of any nature or of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling of any Collateral and the Debtor's rights under all licenses and all franchise agreements shall inure to the Secured Party.

7.8 Retention of Collateral

Upon notice to the Debtor and subject to any obligation to dispose of any of the Collateral, as provided in the PPSA, the Secured Party may elect to retain all or any part of the Collateral in satisfaction of the Secured Obligations or any of them.

7.9 Pay Encumbrances

The Secured Party may pay any Encumbrances that may exist or be threatened against the Collateral. In addition, the Secured Party may borrow money required for the maintenance, preservation or protection of the Collateral or for the carrying on of the business or undertaking of the Debtor and may grant further security interests in the Collateral in priority to the security interest 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 be deemed to have been advanced to the Debtor by the Secured Party, shall become part of the Secured Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Secured Obligations or any part thereof and shall be secured by this Agreement.

7.10 Application of Payments

Any and all payments made in respect of the Secured Obligations from time to time and moneys realized on the Collateral may be applied to such part or parts of the Secured Obligations as the Secured Party may see fit. The Secured Party shall, at all times and from time to time, have the right to change any appropriation as it may see fit. Any insurance moneys received by the Secured Party pursuant to this Agreement may, at the option of the Secured Party, be applied against the Secured Obligations as the Secured Party thinks fit.

7.11 Set-off

The Secured Obligations will be paid by the Debtor without regard to any equities between the Debtor and the Secured Party or any of the Beneficiaries or any right of set-off or cross-claim. If an Event of Default has occurred and is continuing, any indebtedness owing by the Secured Party to the Debtor may be set-off and applied by the Secured Party against the Secured Obligations either before or after maturity, without demand upon or notice to anyone and regardless of the currency in which the indebtedness is denominated.

7.12 Deficiency

If the proceeds of the realization of the Collateral are insufficient to repay the Secured Obligations, the Debtor shall forthwith pay such deficiency or cause such deficiency to be paid to the Secured Party.

7.13 Secured Party Not Liable

The Secured Party shall not be liable or accountable for any failure to seize, collect, realize, dispose of, enforce or otherwise deal with the Collateral, shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, firm or corporation in respect of the Collateral and shall not be liable or responsible for any loss, cost or damage whatsoever which may arise in respect of any such failure including, without limitation, resulting from the negligence of the Secured Party or any of its officers, servants, agents, solicitors, attorneys, Receivers or otherwise unless arising from gross negligence or wilful misconduct. Neither the Secured Party nor its officers, servants, agents, or Receivers shall be liable by reason of any entry into possession of the Collateral or any part thereof, to account as a mortgagee in possession, for anything except actual receipts, for any loss on realization, for any act or omission for which a mortgagee in possession might be liable, for any negligence in the carrying on or occupation of the business or undertaking of the Debtor or for any loss, cost, damage or expense whatsoever which may arise in respect of any such actions, omissions or negligence unless arising from gross negligence or wilful misconduct.

7.14 Extensions of Time

The Secured Party 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 Collateral to third parties and otherwise deal or fail to deal with the Debtor, subsidiaries of the Debtor, guarantors, sureties and others and with the Collateral and other securities as the Secured Party may see fit, all without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights and powers under this Security Agreement.

7.15 Rights in Addition

The rights and powers conferred by this Section are in supplement of and in addition to and not in substitution for any other rights or powers the Secured Party may have from time to time under this Agreement, any other Indenture Document or under applicable law. The Secured Party may proceed by way of any action, suit, remedy or other proceeding at law or in equity and no such remedy for the enforcement of the rights of the Secured Party shall be exclusive of or dependent on any other such remedy. Any one or more of such remedies may from time to time be exercised separately or in combination.

ARTICLE 8 - PERFECTION AND PRIORITY

8.1 Financing Statements, Etc.

The Debtor shall be solely responsible for ensuring that all registrations in respect of the security constituted hereby are made and maintained as may be necessary or desirable to perfect and protect such security as first ranking (subject only to Permitted Encumbrances) security interests in accordance with the terms and conditions of the Indenture. Notwithstanding the foregoing, in the event that the Secured Party decides, in its sole discretion, to make any such registrations, the Debtor hereby authorizes the Secured Party to file at any time and from time to time any financing statements describing the Collateral, and the Debtor shall execute and deliver to the Secured Party, and the Debtor hereby authorizes the Secured Party to file (with or without the Debtor's signature), at any time and from time to time, all amendments to financing statements, continuation financing statements, termination statements, security agreements relating to the Intellectual Property Collateral, assignments, fixture filings, affidavits, reports, notices and all other documents and instruments, in form satisfactory to the Secured Party, as the Secured Party may request, to perfect and continue perfected, maintain the priority of or provide notice of the Secured Party's security interest in the Collateral and to accomplish the purposes of this Agreement. Without limiting the generality of the foregoing, the Debtor ratifies and authorizes the filing by the Secured Party of any financing statements filed prior to the date hereof.

8.2 Bailees

Any Person (other than the Secured Party) at any time and from time to time holding all or any portion of the Collateral shall be deemed to, and shall, hold the Collateral as the

agent of, and as pledge holder for, the Secured Party. At any time and from time to time, the Secured Party may give notice to any such Person holding all or any portion of the Collateral that such Person is holding the Collateral as the agent and bailee of, and as pledge holder for, the Secured Party, and obtain such Person's written acknowledgment thereof. Without limiting the generality of the foregoing, the Debtor will join with the Secured Party in notifying any Person who has possession of any Collateral of the Secured Party's security interest therein and obtaining an acknowledgment from such Person that it is holding the Collateral for the benefit of the Secured Party.

8.3 Control

If any of the Collateral consists of Investment Property: (a) the Debtor authorizes the Secured Party to transfer such Collateral or any part thereof into its own name or that of its nominee so that the Secured Party or its nominee may appear of record as the sole owner thereof; provided, that until the security hereby constituted becomes enforceable, the Secured Party shall deliver promptly to the Debtor all notices, statements or other communications received by it or its nominee as such registered owner, and upon demand and receipt of payment of necessary expenses thereof, shall give to the Debtor or its designee a proxy or proxies to vote and take all action with respect to such property; provided further that after the security hereby constituted becomes enforceable, the Debtor waives all rights to be advised of or to receive any notices, statements or communications received by the Secured Party or its nominee as such record owner, and agrees that no proxy or proxies given by the Secured Party to the Debtor or its designee as aforesaid shall thereafter be effective; and (b) the Debtor further agrees to execute such other documents and to perform such other acts, and to cause any issuer or securities intermediary to execute such other documents and to perform such other acts as may be necessary or appropriate in order to give the Secured Party "control" of such Investment Property, as defined in any applicable statute similar in application to the *Securities Transfer Act* (Ontario), which "control" shall be in such manner as the Secured Party shall designate in its sole judgement and discretion, including, without limitation, an agreement by an issuer or securities intermediary that it will comply with instructions in the case of an issuer or entitlement orders in the case of a securities intermediary, originated by the Secured Party, whether before or after security hereby constituted becomes enforceable, without further consent by the Debtor.

ARTICLE 9 - MISCELLANEOUS

9.1 Amendments and Waivers

Except to the extent otherwise provided herein or in any other Indenture Document, (a) no amendment to any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the Debtor and the Secured Party and (b) no waiver of any provision of this Agreement, or consent to any departure by the Debtor or other party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party. Any such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

9.2 Notices

All notices required or permitted under this Agreement shall be given in the manner and to the addresses of the parties specified in the Indenture.

9.3 No Waiver; Cumulative Remedies

No failure on the part of the Secured Party to exercise, and no delay in exercising, any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to the Secured Party.

9.4 Binding Effect

This Agreement shall be binding upon the Debtor and its successors and assigns, including any successor by reason of amalgamation, and inure to the benefit of and be enforceable by the Secured Party and the Beneficiaries and their respective successors, endorsees, transferees, participants and assigns.

9.5 Assignment

The Debtor may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Secured Party, and any attempted assignment in violation of this provision shall be null and void. The Secured Party may assign this Agreement in whole or in part to any Person acquiring an interest in the Secured Obligations in accordance with the provisions of the Indenture.

9.6 Costs and Expenses

The Debtor agrees to pay on demand all reasonable costs and expenses of the Secured Party, any Receiver, or the agents of the Secured Party or any Receiver, and reasonable legal fees and disbursements in connection with the perfection, enforcement, or preservation of any rights under, this Agreement and the other Indenture Documents.

9.7 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation, it shall be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement.

9.8 Governing Law

This Agreement is to be exclusively construed in accordance with and governed by the internal laws of the Province of Ontario and the federal laws of Canada applicable therein without giving effect to any choice of law rule or principle that would cause the application of the laws of any jurisdiction other than the internal laws of the Province of Ontario and the federal laws of Canada applicable therein to the rights and duties of the Debtor and the Secured Party.

9.9 Submission to Jurisdiction

The Debtor hereby (a) submits to the non-exclusive jurisdiction of the courts of the Province of Ontario sitting in Toronto for the purpose of any action or proceeding arising out of or relating to this Agreement and the other Indenture Documents, (b) agrees that all claims in respect of any such action or proceeding may be heard and determined in such courts, (c) irrevocably waives (to the extent permitted by applicable law) any objection which it now or hereafter may have to the laying of venue of any such action or proceeding brought in any of the foregoing courts, and any objection on the ground that any such action or proceeding in any such court has been brought in an inconvenient forum and (d) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner permitted by law.

9.10 Entire Agreement

This Agreement and the other Indenture Documents constitutes the entire agreement of the parties hereto with respect to the matters set forth herein and supersede any prior agreements, commitments, drafts, communications, discussions and understandings, oral or written, with respect thereto.

9.11 Counterparts

This Agreement may be executed in several counterparts and delivered by facsimile or other electronic transmission, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement.

9.12 Termination

Upon indefeasible payment and performance in full of all Secured Obligations, the security interests created by this Agreement shall terminate and the Secured Party shall execute and deliver to the Debtor, at the Debtor's sole cost and expense, such documents and instruments reasonably requested by the Debtor as shall be necessary to evidence termination of all security interests given by the Debtor to the Secured Party hereunder.

9.13 Indemnity

The Debtor hereby agrees to indemnify the Secured Party and each of the Beneficiaries, and their respective successors, assigns, agents and employees, from and against any and

all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature (including, without limitation, all reasonable expenses of litigation or preparation therefor whether or not the Secured Party or any of the Beneficiaries is a party thereto) imposed on, incurred by or asserted against the Secured Party or any of the Beneficiaries, or their respective successors, assigns, agents and employees, in any way relating to or arising out of this Agreement, or the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Collateral (including, without limitation, latent and other defects, whether or not discoverable by the Secured Party, any of the Beneficiaries or the Debtor, and any claim for patent, trade-mark or copyright infringement), except for the gross negligence or wilful misconduct of the Secured Party.

9.14 Acknowledgement of Receipt

The Debtor acknowledges receipt of a copy of this Agreement.

9.15 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Indenture, the provisions of the Indenture shall prevail and be paramount, but only to the extent of such inconsistency.

[Signature page follows]

IN WITNESS WHEREOF the undersigned has executed and delivered this Agreement with effect as of the date first written above.

**R. H. VERDUYN GRANITE COMPANY
LTD.**

By: _____
Name: Scott Kellaway
Title: President

SCHEDULE "A"
TRADE NAMES, AMALGAMATIONS AND PRIOR NAMES

Trade Names or Styles

Peterborough Monument Works

Amalgamations

Nil.

Other Prior Names

Nil.

9903503.1

GENERAL SECURITY AGREEMENT

THIS GENERAL SECURITY AGREEMENT (this “**Agreement**”) is dated with effect as of this ____ day of July, 2011 by **SOMERVILLE MEMORIALS LTD.** (the “**Debtor**”) to and in favour of **COMPUTERSHARE TRUST COMPANY OF CANADA** as the Debenture Trustee for and on behalf of itself and the Debentureholders (as such term is defined in the Indenture referred to below) (the “**Secured Party**”).

RECITALS:

- A. **FAMILY MEMORIALS INC.** (the “**Corporation**”) is or is about to become indebted to the Secured Party and the Debentureholders (collectively, the “**Beneficiaries**”) pursuant or in connection with certain Debentures issued or to be issued pursuant to an indenture made between the Corporation and the Secured Party dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Indenture**”);
- B. In connection with the Indenture, the Debtor has executed and delivered a guarantee of the Corporation’s obligations to the Secured Party and the Beneficiaries, dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Guarantee**”); and
- C. As security for the obligations of the Debtor under the Guarantee, the Debtor desires to create in favour of the Secured Party for the benefit of the Beneficiaries a security interest in all of the property and assets of the Debtor, as hereinafter provided.

NOW THEREFORE, in consideration of the amounts advanced to the Corporation by the Debentureholders in connection with the Debentures issued pursuant to the Indenture, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor covenants and agrees to and in favour of the Secured Party as follows:

ARTICLE 1 - DEFINITIONS; INTERPRETATION

1.1 Defined Terms

Except as otherwise expressly provided herein, capitalized terms used in this Agreement but not defined herein shall have the meanings assigned to such terms in the Indenture. In this Agreement or any amendment to this Agreement, unless the context clearly indicates to the contrary:

- (a) “**Encumbrance**” means any security interest, mortgage, hypothec, deed of trust, trust or other adverse claim or right, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a Person, whether now owned or subsequently acquired and whether arising by agreement, statute or operation of law.

- (b) **“Indenture Documents”** means the Indenture, the Debentures, the Guarantee, this Agreement and any other Security Documents and any agreements, documents or other instruments executed in connection therewith;
- (c) **“Intellectual Property Collateral”** means the following properties and assets owned or held by the Debtor or in which the Debtor otherwise has any interest, now existing or hereafter acquired or arising:
 - (i) all patents and patent applications, domestic or foreign, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, all rights to sue for past, present or future infringement thereof, all rights arising therefrom and pertaining thereto and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof;
 - (ii) all copyrights and applications for copyright, domestic or foreign, together with the underlying works of authorship (including titles), whether or not the underlying works of authorship have been published and whether said copyrights are statutory or arise under the common law, and all other rights and works of authorship, all computer programs, computer databases, computer program flow diagrams, source codes, object codes and all tangible property embodying or incorporating any copyrights, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, and all other rights, claims and demands in any way relating to any such copyrights or works, including royalties and rights to sue for past, present or future infringement, and all rights of renewal and extension of copyright; and
 - (iii) all state and provincial (including common law), federal and foreign trade-marks, service marks and trade names, and applications for registration of such trade-marks, service marks and trade names, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses, whether registered or unregistered and wherever registered, all rights to sue for past, present or future infringement or unconsented thereof, all rights arising therefrom and pertaining thereto and all reissues, extensions and renewals thereof;
- (d) **“Receiver”** has the meaning ascribed thereto in Section 7.4; and
- (e) **“Rights to Payment”** has the meaning ascribed thereto in Section 4.8.

1.2 Terms Defined in Ontario Personal Property Security Act

Where applicable and except as defined herein, terms used herein shall have the meanings assigned to them in the *Personal Property Security Act* as the same may, from time to time, be in effect in the Province of Ontario (the “PPSA”). Such terms include: “accounts”, “chattel paper”, “documents of title”, “equipment”, “intangibles”,

“instruments”, “inventory”, “investment property”, “money”, “proceeds” and “security”.

ARTICLE 2 - GRANT OF SECURITY INTEREST; COLLATERAL

2.1 Grant of Security Interest

As security for the payment and performance of the Secured Obligations (as defined in Section 3), the Debtor hereby:

- (a) mortgages and charges to the Secured Party for the benefit of the Beneficiaries, and charges and grants to the Secured Party for the benefit of the Beneficiaries, a security interest in, to and under, all of its personal property and all proceeds thereof, wherever located and whether now existing or hereafter acquired or arising, including, without limitation, the following property:
 - (i) all present and future investment property held by the Debtor, including securities, security entitlements, securities accounts, future contracts, future accounts, shares, options, rights, warrants, joint venture interests, interests in limited partnerships, trust units, bonds, debentures and all other documents which constitute evidence of a share, participation or interest of the Debtor in property or in an enterprise or which constitute evidence of an obligation of the issuer; and all substitutions therefore, and subject to Section 6.2, dividends and income derived therefrom, all of which are herein called the “**Pledged Collateral**”;
 - (ii) all accounts and book debts of the Debtor, chattel paper, documents of title, instruments, and intangibles of the Debtor, including all debts, dues, claims choses in action and demands of every nature and kind, howsoever arising or secured, including letters of credit, guarantees and advices of credit that are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by the Debtor, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, and all supporting obligations of any or all of the forgoing (“**Accounts**”);
 - (iii) all inventory of the Debtor, including all merchandise, goods and other personal property that are held for sale or lease or that have been leased by the Debtor or that are to be furnished under a contract of service, all raw materials, work in process, materials used or consumed in the Debtor’s business and finished goods, all goods in which the Debtor has an interest in mass or a joint or other interest or gifts of any kind (including goods in which the Debtor has an interest or right as consignee), and all goods which are returned to or repossessed by the Debtor, together with all additions and accessions thereto and replacements therefor and products thereof and documents therefor (“**Inventory**”);

- (iv) all equipment of the Debtor and all parts thereof and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor, including, all machinery, tools, dies, blueprints, catalogues, computer hardware and software, furniture, furnishings, vehicles and fixtures (“**Equipment**”);
- (v) all Intellectual Property Collateral;
- (vi) all money maintained in a deposit or other account in the Debtor’s name with any financial institution, and all certificates, instruments and other writings, if any, from time to time representing, evidencing or deposited into such accounts, and all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing;
- (vii) all now existing and hereafter arising contracts and agreements to which the Debtor is party (each, an “**Assigned Agreement**”), including, without limitation, all rights of the Debtor to receive moneys due and to become due under or pursuant to the Assigned Agreements, all rights of the Debtor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements, all claims of the Debtor for damages arising out of or for breach of or default under the Assigned Agreements, and all rights of the Debtor to terminate, amend, supplement or modify the Assigned Agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder; *provided, however*, that with respect to any such contract or agreement where the grant of a security interest in the Debtor’s right, title and interest therein is prohibited by the terms thereof, or would give any other party the right to terminate its obligations thereunder, or is not permitted because any necessary consent to such grant has not been obtained, (A) the Debtor shall hold such contract or agreement in trust for the Secured Party (for the benefit of the Beneficiaries) and the Collateral (as defined below) shall include only the rights of the Debtor to receive moneys due and to become due, if any, under or pursuant to such contract or agreement, and (B) the Debtor shall, following the occurrence of an Event of Default that is continuing, assign any such contract or agreement as directed by the Secured Party, whereupon it shall form part of the Collateral;
- (viii) all books, records, writings, databases, information and other property relating to, used or useful in connection with, embodying, incorporating or referring to, any of the Collateral;
- (ix) all cash and cash equivalents held by the Debtor not otherwise included in the description of the Debtor’s property in this Section 2.1; and
- (x) all products and proceeds of the Collateral (with the term “**proceeds**” having the meaning provided in the PPSA and also including any

voluntary or involuntary disposition, and all rights to payment, including return premiums, with respect to any insurance);

- (b) grants, mortgages and charges, to and in favour of the Secured Party, as and by way of a fixed and specific mortgage and charge, and as and by way of a floating charge, all of its currently owned and held or hereafter acquired real property and interests therein of every nature and kind and wherever situate; and
- (c) grants, mortgages and charges, to and in favour of the Secured Party, as and by way of a floating charge, all of its currently owned and held or hereafter acquired property, assets and undertakings of every nature and kind and wherever situate, except such of its property, assets, undertakings and interests as are validly subject to the mortgages, charges and security interests granted pursuant to Sections 2.1(a) and (b).

2.2 Collateral.

The term “**Collateral**” means, collectively, all of the Debtor’s right, title and interest in and to all of the Debtor’s present and after-acquired property (real and personal), assets and undertakings, and all proceeds thereof (except the property of the Debtor described in Section 2.3) of whatsoever nature and kind and wherever situate including without limiting the generality of the foregoing all of the property described in Section 2.1.

2.3 Excluded Collateral

Notwithstanding Section 2.1, the Collateral shall not include: (a) any property held in trust by the Debtor and lawfully belonging to others, (b) the last day of the term of any lease of real property, provided that the Debtor shall stand possessed of such last day and shall assign and transfer such interest as instructed by the Secured Party; (c) with respect to Section 2.1(a)(iii), any consumer goods used as such by the Debtor; or (d) the interests described in the proviso to Section 2.1(a)(vii) as being excluded from the Collateral.

2.4 Debtor Remains Liable

Anything herein to the contrary notwithstanding, (a) the Debtor shall remain liable under all Assigned Agreements, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Debtor from any of its duties or obligations under such Assigned Agreements, and (c) neither the Secured Party nor any of the Beneficiaries shall have any obligation or liability under any Assigned Agreements by reason of this Agreement, nor shall the Secured Party or any of the Beneficiaries be obligated to perform any of the obligations or duties of the Debtor thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Collateral hereunder.

2.5 Continuing Security Interest

The Debtor agrees that this Agreement shall create a general collateral continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 9.12.

2.6 Attachment

The Debtor acknowledges that the security interest created hereby attaches to existing Collateral upon the execution of this Agreement and that such security interest will attach to Collateral acquired after the date of execution of this Agreement at the time that the Debtor acquires rights in that Collateral. The Debtor and the Secured Party agree that value has been given. The Debtor represents and warrants that it has rights in the existing Collateral.

2.7 Unlimited Liability Companies

Nothing in this Agreement or any other agreement between the Debtor and the Secured Party is intended to, and nothing in this Agreement or any other agreement between the Debtor and the Secured Party will, constitute the Secured Party or any person other than the Debtor, a shareholder or member of any unlimited liability company (“**ULC**”) for the purposes of (to the extent applicable) the *Companies Act* (Nova Scotia), the *Business Corporations Act* (Alberta), the *Business Corporations Act* (British Columbia) or any other applicable incorporation statute which provides for ULCs until notice is given to the Debtor and further steps are taken to register the Secured Party or other person as holder of shares or other interests in the ULC (“**ULC Shares**”). To the extent that any provision of this Agreement would have the effect of constituting the Secured Party as a shareholder or member of a ULC, that provision will be severed from this Security Agreement and ineffective without otherwise invalidating or rendering unenforceable: (a) this Agreement; or (b) that provision to the extent that it relates to Collateral other than ULC Shares.

ARTICLE 3 - SECURED OBLIGATIONS

3.1 Secured Obligations

The obligations secured by this Agreement shall consist of all indebtedness, obligations and liabilities of the Debtor to the Secured Party or the Beneficiaries, including, without limitation, those arising under, in connection with, and relating to the Indenture Documents, whether now existing or hereafter arising, as principal or surety, voluntary or involuntary, whether or not jointly owed with others, direct or indirect, absolute or contingent, liquidated or unliquidated, and whether or not from time to time decreased or extinguished and later increased, created or incurred, together with all expenses (including reasonable legal fees on a solicitor and client basis) incurred by the Secured Party, any receiver, receiver-manager or agent in the preparation, perfection and enforcement of security and other agreements held by the Secured Party in respect of such obligations and liabilities and interest thereon (all of which obligations, liabilities, expenses and interest are referred to collectively as the “**Secured Obligations**”).

ARTICLE 4 - REPRESENTATIONS AND WARRANTIES

In addition to all representations and warranties of the Debtor set forth in the other Indenture Documents, which are incorporated herein by this reference, the Debtor hereby represents and warrants that:

4.1 Sole Owner

The Debtor is the sole owner of and has good and marketable title to the Collateral (or will be the sole owner of and will have good and marketable title to, in the case of after-acquired Collateral).

4.2 No Adverse Claim

No Person has (or, in the case of after-acquired Collateral, at the time the Debtor acquires rights therein, will have) any right, title, claim or interest (by way of security interest or other Encumbrance, adverse rights or claims or other Encumbrances) in, against or to the Collateral other than Permitted Encumbrances.

4.3 Full Disclosure

All information herein supplied to the Secured Party by or on behalf of the Debtor with respect to the Collateral is accurate and complete in all material respects as of the date hereof.

4.4 Delivery of Collateral

The Debtor has delivered to the Secured Party all instruments and chattel paper and other items of Collateral in which a security interest is or may be perfected by possession, together with such additional writings, including assignments, with respect thereto as the Secured Party shall request.

4.5 Intellectual Property

All of the patents, trade-marks, and copyrights of the Debtor have been registered or applied to be registered with the United States Patent and Trademark Office, the United States Copyright Office or the Canadian Intellectual Property Office, as appropriate.

4.6 Chief Executive Office; Trade Names; Collateral Location; Records Location

The Debtor's chief executive office is in the Province of Ontario; the only trade name(s) or style(s) used by the Debtor are listed on **Schedule "A"**; and, the Debtor's records concerning the Collateral are located at its chief executive office. The Debtor has not, except as disclosed on **Schedule "A"** hereto, at any time in the past: (a) been known as or used any other corporate, trade or fictitious name; (b) changed its name; (c) been the surviving or resulting corporation in a merger or consolidation; or (d) acquired through asset purchase or otherwise any business of any Person.

4.7 Enforceability; Priority of Security Interest

- (a) This Agreement creates a security interest which is enforceable against the Collateral in which the Debtor now has rights and will create a security interest which is enforceable against the Collateral in which the Debtor hereafter acquires rights at the time the Debtor acquires any such rights; and (b) the Secured Party, on behalf of the Beneficiaries, has a perfected and (subject only to Permitted Encumbrances) first priority security interest in the Collateral, in which the Debtor now has rights, and will have a perfected and (subject only to Permitted Encumbrances) first priority security interest in the Collateral in which the Debtor hereafter acquires rights at the time the Debtor acquires any such rights, in each case securing the payment and performance of the Secured Obligations.

4.8 Rights to Payment

- (a) The Accounts and any and all of the Debtor's rights and claims to the payment or receipt of money or other forms of consideration of any kind in, to and under or with respect to its chattel paper, documents of title, intangibles, instruments, proceeds and supporting obligations (collectively, "**Rights to Payment**") represent valid, binding and enforceable obligations of the account debtors or other Persons obligated thereon, representing undisputed, *bona fide* transactions completed in accordance with the terms and provisions contained in any documents related thereto, and are genuine, free from any Encumbrances and not subject to any adverse claims, counterclaims, setoffs, defaults, disputes, defenses, discounts, retainages, holdbacks or conditions precedent of any kind of character, except to the extent reflected by the Debtor's reserves for uncollectible Rights to Payment or to the extent, if any, that such account debtors or other Persons may be entitled to normal and ordinary course trade discounts, returns, adjustments and allowances in accordance with Section 5.13 or as otherwise disclosed to the Secured Party in writing;
- (b) to the best of the Debtor's knowledge, all account debtors and other obligors on the Rights to Payment are solvent and generally paying their debts as they come due;
- (c) all Rights to Payment comply with all applicable laws concerning form, content and manner of preparation and execution, including where applicable any federal or state consumer credit laws;
- (d) the Debtor has not assigned any of its rights under the Rights to Payment other than Permitted Encumbrances as provided in this Agreement or as set forth in the other Indenture Documents;
- (e) all statements made, all unpaid balances and all other information in the Debtor's books and other documentation relating to the Rights to Payment are true and correct and in all respects what they purport to be; and

- (f) the Debtor has no knowledge of any fact or circumstance which would impair the validity or collectibility of any of the Rights to Payment.

4.9 Inventory

No inventory is stored with any bailee, warehouseman or similar Person or on any premises leased to the Debtor, nor has any inventory been consigned to the Debtor or consigned by the Debtor to any Person or is held by the Debtor for any Person under any “bill and hold” or other arrangement, except as disclosed to the Secured Party in writing.

4.10 Equipment

- (a) none of the Equipment or other Collateral is affixed to real property except Collateral with respect to which the Debtor has supplied the Secured Party with all information and documentation necessary to make all fixture filings required to perfect and protect the priority of the Secured Party’s security interest in all such Collateral which may be fixtures as against all Persons having an interest in the premises to which such property may be affixed; and
- (b) none of the Equipment is leased from or to any Person, except as otherwise disclosed in writing to the Secured Party.

4.11 Valid Issuance of Pledged Collateral

All the Pledged Collateral have been, and upon issuance any Pledged Collateral will be, duly and validly issued, and are and will be fully paid and non assessable.

4.12 Capitalization of the Pledged Subsidiary

The Pledged Collateral constitutes 100% of the issued and outstanding shares of capital stock and other ownership interests of the various issuers owned by the Debtor (which, as of the date hereof, constitutes 100% of the issued and outstanding shares of capital stock and other ownership interests of each issuer).

4.13 Options, Warrants, Etc.

Other than pursuant to the Indenture Documents, no securities convertible into or exchangeable for any shares of capital stock or other ownership interests of any issuer, or any options, warrants or other commitments entitling any Person to purchase or otherwise acquire any shares of capital stock or other ownership interests of any issuer, are issued and outstanding.

4.14 Transfer Restrictions

Other than such authorizations and approvals as have been obtained by the Debtor, there are no restrictions on the transferability of the Pledged Collateral to the Secured Party or with respect to the foreclosure, transfer or disposition thereof by the Secured Party on behalf of the Beneficiaries.

4.15 Shareholders Agreements

There are no shareholders, partners or members agreements, voting trusts, proxy agreements or other agreements or understandings which affect or relate to the voting or giving of written consents with respect to any of the Pledged Collateral.

4.16 Pledged Collateral

The Debtor is not in default in the payment of any portion of any mandatory capital contribution, if any, required to be made under any agreement to which the Debtor is a party relating to the Pledged Collateral pledged by it, and the Debtor is not in violation of any other provisions of any such agreement to which the Debtor is a party, or otherwise in default or violation thereunder. No Pledged Collateral pledged by the Debtor is subject to any defense, offset or counterclaim, nor have any of the foregoing been asserted or alleged against the Debtor by any Person with respect thereto, and as of the date hereof, there are no certificates, instruments, documents or other writings (other than the organizational documents and certificates, if any, delivered to the Secured Party which evidence any Pledged Collateral of the Debtor.

4.17 No Violation of Securities Laws

None of the shares in the capital of the Debtor or the Pledged Collateral has been issued, converted or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which they may be subject.

4.18 Control Agreements

No control agreements exist with respect to any Collateral other than any control agreements in favour of the Secured Party.

4.19 Intellectual Property Collateral

The Debtor does not own any Intellectual Property Collateral.

ARTICLE 5 - COVENANTS AND AGREEMENTS

In addition to all covenants and agreements of the Debtor set forth in the other Indenture Documents, which are incorporated herein by this reference, the Debtor hereby agrees, at no cost or expense to the Secured Party:

5.1 Preservation of Security Interest

To do all reasonable acts (other than acts which are required to be done by the Secured Party) that may be necessary to maintain, preserve and protect the Collateral and the perfection and (subject only to Permitted Encumbrances) the priority of the Security Interest of the Secured Party (for the benefit of the Beneficiaries) therein.

5.2 Actions and Proceedings

To appear in and defend any action or proceeding which may affect its title to or the Secured Party's or the Beneficiaries' interest in the Collateral.

5.3 Use of Collateral

Not to use any Collateral, or permit any Collateral to be used, unlawfully or in violation of any provision of this Agreement, any other agreement with the Secured Party related hereto, or any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Debtor or affecting any of the Collateral or any contractual obligation affecting any of the Collateral.

5.4 Insurance

The Debtor shall keep the Collateral insured to its fair market value.

5.5 Shareholders Agreements

The Debtor has not entered and will not enter into any shareholders, partners or members agreement, voting trust, proxy agreement or other agreement or understanding which affects or relates to the voting or giving of written consents with respect to any of the shares in the capital of the Debtor or the Pledged Collateral without the prior written consent of the Secured Party.

5.6 Issuance of Additional Shares

The Debtor will not consent to or approve, or allow any subsidiary to consent to or approve, of the issuance to any person or entity of any additional shares of any class of capital stock or other ownership interests of the Debtor or any of its subsidiaries, or of any securities convertible into or exchangeable for any such shares or other ownership interests, or any warrants, options or other rights to purchase or otherwise acquire any such shares or other ownership interests, except as approved in writing by the Secured Party.

5.7 Transfer of Collateral; Encumbrances

Not to surrender or lose possession of (other than to the Secured Party), sell, encumber, lease, rent, or otherwise dispose of or transfer any Collateral or right or interest therein as expressly provided herein and in the other Indenture Documents, and to keep the Collateral free of all Encumbrances except Permitted Encumbrances and as expressly permitted by the Indenture Documents or otherwise approved in writing by the Secured Party; *provided, however*, that, unless an Event of Default shall have occurred under any of the Indenture Documents, the Debtor may, in the ordinary course of business, sell or lease (provided it registers and perfects any primary lease or conditional sale agreement in accordance with applicable law) any Collateral consisting of inventory.

5.8 Delivery of Collateral

To account fully for and promptly deliver to the Secured Party, in the form received, all documents, chattel paper, all certificated securities with respect to investment property, instruments and agreements constituting Collateral hereunder, and all proceeds of the Collateral received, all endorsed to the Secured Party or in blank, as requested by the Secured Party, and accompanied by such stock powers as appropriate and until so delivered all such documents, instruments, agreements and proceeds shall be held by the Debtor in trust for the Secured Party (for the benefit of the Beneficiaries), separate from all other property of the Debtor.

5.9 Records

To keep separate, accurate and complete records of the Collateral and to provide the Secured Party with such records and such other reports and information relating to the Collateral as the Secured Party may reasonably request from time to time. To keep the records concerning the Collateral at the location(s) referred to in Section 4.6 and not to remove such records from such location(s) without the prior written consent of the Secured Party.

5.10 Chief Executive Office; Names

To give the Secured Party thirty (30) days' prior written notice of any change in the Debtor's chief executive office or legal name or trade name(s) or style(s).

5.11 Location of Collateral

To not keep any of the Collateral in jurisdictions other than those disclosed in writing to the Secured Party on or prior to the date hereof, provided that the Debtor shall be entitled to keep Collateral in any other jurisdiction in Canada upon thirty (30) days prior written notice to the Secured Party, and provided further that the Debtor shall have first done all things necessary to ensure that the Secured Party has a first ranking (subject only to Permitted Encumbrances) security interest in such Collateral, and shall have otherwise complied with all of its covenants under each of the Indenture Documents with respect to the Collateral.

5.12 Maintenance of Collateral

To keep the Collateral in good condition and repair (normal wear and tear excepted) and not to cause or permit any waste or unusual or unreasonable depreciation of the Collateral.

5.13 Rights to Payment

At all times, to:

- (a) with such frequency as the Secured Party may reasonably require, furnish to the Secured Party full and complete reports, in form and substance satisfactory to the

Secured Party, with respect to the Accounts, including information as to concentration, aging, identity of account debtors, letters of credit securing Accounts, disputed Accounts and other matters, as the Secured Party shall request;

- (b) give only normal discounts, allowances and credits as to Accounts and other Rights to Payment, in the ordinary course of business, according to normal trade practices utilized by the Debtor in the past, and enforce all Accounts and other Rights to Payment strictly in accordance with their terms, and take all such action to such end as may from time to time be reasonably requested by the Secured Party, except that the Debtor may grant any extension of the time for payment or enter into any agreement to make a rebate or otherwise to reduce the amount owing on or with respect to, or compromise or settle for less than the full amount thereof, any Account or other Right to Payment, in the ordinary course of business, according to normal trade practices utilized by the Debtor in the past;
- (c) if any discount, allowance, credit, extension of time for payment, agreement to make a rebate or otherwise to reduce the amount owing on, or compromise or settle, an Account or other Right to Payment exists or occurs, or if, to the knowledge of the Debtor, any dispute, setoff, claim, counterclaim or defence exists or has been asserted or threatened with respect to an Account or other Right to Payment, disclose such fact fully to the Secured Party in the books relating to such Account or other Right to Payment and in connection with any invoice or report furnished by the Debtor to the Secured Party relating to such Account or other Right to Payment;
- (d) if any Accounts arise from contracts with the government of the United States, Canada or any state, province or territory, or any department, agency or instrumentality thereof, immediately notify the Secured Party thereof and execute any documents and instruments and take any other steps requested by the Secured Party in order that all monies due and to become due thereunder shall be assigned to the Secured Party (for the benefit of the Beneficiaries) and notice thereof given to the appropriate authorities under applicable legislation, including (as applicable) the *Federal Assignment of Claims Act* of the United States of America or the *Financial Administration Act* of Canada;
- (e) in accordance with its sound business judgment, perform and comply in all material respects with its obligations in respect of the Accounts and other Rights to Payment; and
- (f) upon the request of the Secured Party (i) at any time, notify all or any designated portion of the account debtors and other obligors on the Rights to Payment of the security interest hereunder, and (ii) notify the account debtors and other obligors on the Rights to Payment or any designated portion thereof that payment shall be made directly to the Secured Party or to such other Person or location as the Secured Party shall specify.

5.14 Inventory

At all times, to:

- (a) at such times as the Secured Party shall request or as may be required under the Indenture Documents, prepare and deliver to the Secured Party a report of all Inventory, in form and substance satisfactory to the Secured Party;
- (b) upon the request of the Secured Party, take a physical listing of the Inventory and promptly deliver a copy of such physical listing to the Secured Party; and
- (c) not store any Inventory with a bailee, warehouseman or similar Person or on premises leased to the Debtor, nor dispose of any Inventory on a bill-and-hold, guaranteed sale, sale and return, sale on approval, consignment or similar basis, nor acquire any Inventory from any Person on any such basis, without in each case giving the Secured Party prior written notice thereof.

ARTICLE 6 - AUTHORIZED ACTION BY THE SECURED PARTY; RIGHTS TO PAYMENT

6.1 Authorized Action by the Secured Party

The Debtor hereby agrees that following the occurrence of an Event of Default which is continuing, without presentment, notice or demand, and without affecting or impairing in any way the rights of the Secured Party with respect to the Collateral, the obligations of the Debtor hereunder or the Secured Obligations, the Secured Party may, but shall not be obligated to and shall incur no liability to the Debtor or any third party for failure to, take any action that the Debtor is obligated by this Agreement to do and to exercise such rights and powers as the Debtor might exercise with respect to the Collateral, and the Debtor hereby irrevocably appoints the Secured Party as its attorney-in-fact to exercise such rights and powers, including, without limitation, the power and authority to:

- (a) collect by legal proceedings or otherwise and endorse, receive and receipt for all dividends, interest, payments, proceeds and other sums and property now or hereafter payable on or on account of the Collateral;
- (b) enter into any extension, reorganization, deposit, merger, consolidation or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for the Collateral;
- (c) insure, process and preserve the Collateral;
- (d) transfer the Collateral to its own or its nominee's name;
- (e) make any compromise or settlement, and take any action it deems advisable, with respect to the Collateral; and

- (f) notify any obligor on any Collateral to make payment directly to the Secured Party.

The foregoing power of attorney is coupled with an interest and irrevocable so long as the Secured Obligations have not been indefeasibly paid and performed in full. The Debtor hereby ratifies, to the extent permitted by law, all that the Secured Party shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 6.1. The Debtor agrees to reimburse the Secured Party upon demand for any reasonable costs and expenses, including reasonable legal fees, the Secured Party may incur while acting as the Debtor's attorney-in-fact hereunder, all of which costs and expenses are included in the Secured Obligations.

6.2 Investment Property and Instruments

Upon and after the occurrence of any Event of Default which is continuing, the Secured Party shall be entitled to receive, for the benefit of the Beneficiaries, all distributions and payments of any nature with respect to any investment property or instruments, and all such distributions or payments received by the Debtor shall be and shall be deemed to be held separate and apart and in trust exclusively for the Secured Party and, in accordance with the Secured Party's instructions, remitted to the Secured Party in the form received (with any necessary endorsements or instruments of assignment or transfer). Following the occurrence of an Event of Default which is continuing any such distributions and payments with respect to any investment property held in any securities account shall be held and retained in such securities account, in each case as part of the Collateral hereunder. Additionally, the Secured Party shall have the right, upon the occurrence of an Event of Default which is continuing, following prior written notice to the Debtor, to vote and to give consents, ratifications and waivers with respect to any investment property and instruments of the Debtor, and to exercise all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining thereto, as if the Secured Party were the absolute owner thereof; *provided* that the Secured Party shall have no duty to exercise any of the foregoing rights afforded to it and shall not be responsible to the Debtor or any other Person for any failure to do so or delay in doing so.

ARTICLE 7 - REMEDIES; NOTICE OF SALE; RECEIVERS

7.1 Remedies

Upon the occurrence of an Event of Default which is continuing, the Secured Party may at its option, without notice to or demand on the Debtor and in addition to all rights and remedies available to the Secured Party with respect to the Secured Obligations, at law, in equity or otherwise, do any one or more of the following:

- (a) foreclose or otherwise enforce the security interest constituted hereby in any manner permitted by law or provided for in this Agreement;
- (b) sell, lease or otherwise dispose of any Collateral at one or more public or private sales at the Secured Party's place of business or any other place or places, including any broker's board or securities exchange, whether or not such

Collateral is present at the place of sale, for cash or credit or future delivery, on such terms and in such manner as the Secured Party may determine;

- (c) use or transfer the Debtor's rights and interests in any Intellectual Property Collateral by license, by sublicense (to the extent permitted by an applicable license), assignment or otherwise, on such conditions and in such manner as the Secured Party may determine;
- (d) recover from the Debtor all costs and expenses, including reasonable legal fees and disbursements, incurred or paid by the Secured Party in exercising any right, power or remedy provided by this Agreement;
- (e) require the Debtor to assemble the Collateral and make it available to the Secured Party at a place to be designated by the Secured Party;
- (f) enter onto property where any Collateral is located and take possession thereof with or without judicial process; and
- (g) prior to the disposition of the Collateral, store, process, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent the Secured Party deems appropriate and in connection with such preparation and disposition, without charge, use any trade-mark, tradename, copyright, patent or technical process used by the Debtor.

7.2 Notice of Sale

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor shall be given ten (10) Business Days prior notice of the time and place of any public sale or of the time after which any private sale or other intended disposition of Collateral is to be made, which notice the Debtor hereby agrees shall be deemed reasonable notice thereof. Upon any sale or other disposition pursuant to this Agreement, the Secured Party shall have the right to deliver, assign and transfer to the purchaser thereof, the Collateral or portion thereof so sold or disposed of. The Secured Party shall have the right upon any public sale, and, to the extent permitted by law, upon any private sale, to purchase the whole or any part of the Collateral so sold. Each purchaser at any such sale or other disposition (including the Secured Party) shall hold the Collateral free from any claim or right of whatever kind, including any equity or right of redemption of the Debtor and the Debtor specifically waives (to the extent permitted by applicable law) all rights of redemption, stay or appraisal which it has or may have under any rule of law or statute now existing or hereafter adopted.

7.3 License

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor hereby grants to the Secured Party an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to the Debtor) or (to the extent permitted by the applicable license)

sublicense to use, license or sublicense any Intellectual Property Collateral, subject with respect to trade-marks to reasonable and appropriate quality control provisions.

7.4 Appointment of Receiver

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may, in addition to any other rights it may have, appoint by instrument in writing a receiver, monitor, consultant, liquidator or receiver and manager (all of which are herein called a “**Receiver**”) of all or any part of the Collateral 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 and exclusions and limitations of liability as the Secured Party has under this Agreement, at law or in equity. In exercising any such powers, any such Receiver shall, to the extent permitted by applicable law, act as and for all purposes be deemed to be the agent of the Debtor, and the Secured Party shall not be responsible for any act or default of any such Receiver. The Secured Party 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 Secured Party. A court need not appoint, ratify the appointment by the Secured Party of or otherwise supervise in any manner the actions of any Receiver. Upon the Debtor receiving notice from the Secured Party of the taking of possession of the Collateral or the appointment of a Receiver, all powers, functions, rights and privileges of the Debtor and, to the extent permitted by applicable law, its directors and officers with respect to the Collateral shall cease, unless specifically continued by the written consent of the Secured Party.

7.5 Carrying on Business

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may carry on, or concur in the carrying on of, all or any part of the business or undertaking of the Debtor, may, subject to the rights and liens of third parties but to the exclusion of the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertakings of or occupied or used by the Debtor and may use all or any of the tools, machinery, equipment and intangibles of the Debtor for such time as the Secured Party sees fit, free of charge, to carry on the business of the Debtor and, if applicable, to manufacture or complete the manufacture of any Inventory and to pack and ship the finished product.

7.6 Dealing with Collateral

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Secured Party may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with the Collateral or any part thereof in such manner, upon such terms and conditions and at such time or times as may seem to it advisable, all without notice to the Debtor except as otherwise required by any applicable law. The Secured Party may demand, sue for and receive any Accounts with or without notice to the Debtor, give such receipts, discharges and extensions of time and make such

compromises in respect of any Accounts which may, in the Secured Party's absolute discretion, seem bad or doubtful. The Secured Party 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 Collateral and in connection with the protection and enforcement of the rights of the Secured Party hereunder including, without limitation, in connection with advice with respect to any of the foregoing. The amount of such sums shall be deemed advanced to the Debtor by the Secured Party, shall become part of the Secured Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Secured Obligations or any part thereof and shall be secured by this Agreement.

7.7 Right to Use

For the purpose of enabling the Secured Party to exercise its rights and remedies under Section 7.1 of this Agreement, the Debtor hereby grants to the Secured Party a license or other right to use, without charge, all of the Debtor's present and future property, whether real or personal, including, without limitation, labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trade-marks, services marks, and advertising matter, or any other property of any nature or of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling of any Collateral and the Debtor's rights under all licenses and all franchise agreements shall inure to the Secured Party.

7.8 Retention of Collateral

Upon notice to the Debtor and subject to any obligation to dispose of any of the Collateral, as provided in the PPSA, the Secured Party may elect to retain all or any part of the Collateral in satisfaction of the Secured Obligations or any of them.

7.9 Pay Encumbrances

The Secured Party may pay any Encumbrances that may exist or be threatened against the Collateral. In addition, the Secured Party may borrow money required for the maintenance, preservation or protection of the Collateral or for the carrying on of the business or undertaking of the Debtor and may grant further security interests in the Collateral in priority to the security interest 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 be deemed to have been advanced to the Debtor by the Secured Party, shall become part of the Secured Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Secured Obligations or any part thereof and shall be secured by this Agreement.

7.10 Application of Payments

Any and all payments made in respect of the Secured Obligations from time to time and moneys realized on the Collateral may be applied to such part or parts of the Secured Obligations as the Secured Party may see fit. The Secured Party shall, at all times and from time to time, have the right to change any appropriation as it may see fit. Any insurance moneys received by the Secured Party pursuant to this Agreement may, at the option of the Secured Party, be applied against the Secured Obligations as the Secured Party thinks fit.

7.11 Set-off

The Secured Obligations will be paid by the Debtor without regard to any equities between the Debtor and the Secured Party or any of the Beneficiaries or any right of set-off or cross-claim. If an Event of Default has occurred and is continuing, any indebtedness owing by the Secured Party to the Debtor may be set-off and applied by the Secured Party against the Secured Obligations either before or after maturity, without demand upon or notice to anyone and regardless of the currency in which the indebtedness is denominated.

7.12 Deficiency

If the proceeds of the realization of the Collateral are insufficient to repay the Secured Obligations, the Debtor shall forthwith pay such deficiency or cause such deficiency to be paid to the Secured Party.

7.13 Secured Party Not Liable

The Secured Party shall not be liable or accountable for any failure to seize, collect, realize, dispose of, enforce or otherwise deal with the Collateral, shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, firm or corporation in respect of the Collateral and shall not be liable or responsible for any loss, cost or damage whatsoever which may arise in respect of any such failure including, without limitation, resulting from the negligence of the Secured Party or any of its officers, servants, agents, solicitors, attorneys, Receivers or otherwise unless arising from gross negligence or wilful misconduct. Neither the Secured Party nor its officers, servants, agents, or Receivers shall be liable by reason of any entry into possession of the Collateral or any part thereof, to account as a mortgagee in possession, for anything except actual receipts, for any loss on realization, for any act or omission for which a mortgagee in possession might be liable, for any negligence in the carrying on or occupation of the business or undertaking of the Debtor or for any loss, cost, damage or expense whatsoever which may arise in respect of any such actions, omissions or negligence unless arising from gross negligence or wilful misconduct.

7.14 Extensions of Time

The Secured Party 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 Collateral to third parties and otherwise deal or fail to deal with the Debtor, subsidiaries of the Debtor, guarantors, sureties and others and with the Collateral and other securities as the Secured Party may see fit, all without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights and powers under this Security Agreement.

7.15 Rights in Addition

The rights and powers conferred by this Section are in supplement of and in addition to and not in substitution for any other rights or powers the Secured Party may have from time to time under this Agreement, any other Indenture Document or under applicable law. The Secured Party may proceed by way of any action, suit, remedy or other proceeding at law or in equity and no such remedy for the enforcement of the rights of the Secured Party shall be exclusive of or dependent on any other such remedy. Any one or more of such remedies may from time to time be exercised separately or in combination.

ARTICLE 8 - PERFECTION AND PRIORITY

8.1 Financing Statements, Etc.

The Debtor shall be solely responsible for ensuring that all registrations in respect of the security constituted hereby are made and maintained as may be necessary or desirable to perfect and protect such security as first ranking (subject only to Permitted Encumbrances) security interests in accordance with the terms and conditions of the Indenture. Notwithstanding the foregoing, in the event that the Secured Party decides, in its sole discretion, to make any such registrations, the Debtor hereby authorizes the Secured Party to file at any time and from time to time any financing statements describing the Collateral, and the Debtor shall execute and deliver to the Secured Party, and the Debtor hereby authorizes the Secured Party to file (with or without the Debtor's signature), at any time and from time to time, all amendments to financing statements, continuation financing statements, termination statements, security agreements relating to the Intellectual Property Collateral, assignments, fixture filings, affidavits, reports, notices and all other documents and instruments, in form satisfactory to the Secured Party, as the Secured Party may request, to perfect and continue perfected, maintain the priority of or provide notice of the Secured Party's security interest in the Collateral and to accomplish the purposes of this Agreement. Without limiting the generality of the foregoing, the Debtor ratifies and authorizes the filing by the Secured Party of any financing statements filed prior to the date hereof.

8.2 Bailees

Any Person (other than the Secured Party) at any time and from time to time holding all or any portion of the Collateral shall be deemed to, and shall, hold the Collateral as the

agent of, and as pledge holder for, the Secured Party. At any time and from time to time, the Secured Party may give notice to any such Person holding all or any portion of the Collateral that such Person is holding the Collateral as the agent and bailee of, and as pledge holder for, the Secured Party, and obtain such Person's written acknowledgment thereof. Without limiting the generality of the foregoing, the Debtor will join with the Secured Party in notifying any Person who has possession of any Collateral of the Secured Party's security interest therein and obtaining an acknowledgment from such Person that it is holding the Collateral for the benefit of the Secured Party.

8.3 Control

If any of the Collateral consists of Investment Property: (a) the Debtor authorizes the Secured Party to transfer such Collateral or any part thereof into its own name or that of its nominee so that the Secured Party or its nominee may appear of record as the sole owner thereof; provided, that until the security hereby constituted becomes enforceable, the Secured Party shall deliver promptly to the Debtor all notices, statements or other communications received by it or its nominee as such registered owner, and upon demand and receipt of payment of necessary expenses thereof, shall give to the Debtor or its designee a proxy or proxies to vote and take all action with respect to such property; provided further that after the security hereby constituted becomes enforceable, the Debtor waives all rights to be advised of or to receive any notices, statements or communications received by the Secured Party or its nominee as such record owner, and agrees that no proxy or proxies given by the Secured Party to the Debtor or its designee as aforesaid shall thereafter be effective; and (b) the Debtor further agrees to execute such other documents and to perform such other acts, and to cause any issuer or securities intermediary to execute such other documents and to perform such other acts as may be necessary or appropriate in order to give the Secured Party "control" of such Investment Property, as defined in any applicable statute similar in application to the *Securities Transfer Act* (Ontario), which "control" shall be in such manner as the Secured Party shall designate in its sole judgement and discretion, including, without limitation, an agreement by an issuer or securities intermediary that it will comply with instructions in the case of an issuer or entitlement orders in the case of a securities intermediary, originated by the Secured Party, whether before or after security hereby constituted becomes enforceable, without further consent by the Debtor.

ARTICLE 9 - MISCELLANEOUS

9.1 Amendments and Waivers

Except to the extent otherwise provided herein or in any other Indenture Document, (a) no amendment to any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the Debtor and the Secured Party and (b) no waiver of any provision of this Agreement, or consent to any departure by the Debtor or other party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party. Any such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

9.2 Notices

All notices required or permitted under this Agreement shall be given in the manner and to the addresses of the parties specified in the Indenture.

9.3 No Waiver; Cumulative Remedies

No failure on the part of the Secured Party to exercise, and no delay in exercising, any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to the Secured Party.

9.4 Binding Effect

This Agreement shall be binding upon the Debtor and its successors and assigns, including any successor by reason of amalgamation, and inure to the benefit of and be enforceable by the Secured Party and the Beneficiaries and their respective successors, endorsees, transferees, participants and assigns.

9.5 Assignment

The Debtor may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Secured Party, and any attempted assignment in violation of this provision shall be null and void. The Secured Party may assign this Agreement in whole or in part to any Person acquiring an interest in the Secured Obligations in accordance with the provisions of the Indenture.

9.6 Costs and Expenses

The Debtor agrees to pay on demand all reasonable costs and expenses of the Secured Party, any Receiver, or the agents of the Secured Party or any Receiver, and reasonable legal fees and disbursements in connection with the perfection, enforcement, or preservation of any rights under, this Agreement and the other Indenture Documents.

9.7 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation, it shall be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement.

9.8 Governing Law

This Agreement is to be exclusively construed in accordance with and governed by the internal laws of the Province of Ontario and the federal laws of Canada applicable therein without giving effect to any choice of law rule or principle that would cause the application of the laws of any jurisdiction other than the internal laws of the Province of Ontario and the federal laws of Canada applicable therein to the rights and duties of the Debtor and the Secured Party.

9.9 Submission to Jurisdiction

The Debtor hereby (a) submits to the non-exclusive jurisdiction of the courts of the Province of Ontario sitting in Toronto for the purpose of any action or proceeding arising out of or relating to this Agreement and the other Indenture Documents, (b) agrees that all claims in respect of any such action or proceeding may be heard and determined in such courts, (c) irrevocably waives (to the extent permitted by applicable law) any objection which it now or hereafter may have to the laying of venue of any such action or proceeding brought in any of the foregoing courts, and any objection on the ground that any such action or proceeding in any such court has been brought in an inconvenient forum and (d) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner permitted by law.

9.10 Entire Agreement

This Agreement and the other Indenture Documents constitutes the entire agreement of the parties hereto with respect to the matters set forth herein and supersede any prior agreements, commitments, drafts, communications, discussions and understandings, oral or written, with respect thereto.

9.11 Counterparts

This Agreement may be executed in several counterparts and delivered by facsimile or other electronic transmission, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement.

9.12 Termination

Upon indefeasible payment and performance in full of all Secured Obligations, the security interests created by this Agreement shall terminate and the Secured Party shall execute and deliver to the Debtor, at the Debtor's sole cost and expense, such documents and instruments reasonably requested by the Debtor as shall be necessary to evidence termination of all security interests given by the Debtor to the Secured Party hereunder.

9.13 Indemnity

The Debtor hereby agrees to indemnify the Secured Party and each of the Beneficiaries, and their respective successors, assigns, agents and employees, from and against any and

all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature (including, without limitation, all reasonable expenses of litigation or preparation therefor whether or not the Secured Party or any of the Beneficiaries is a party thereto) imposed on, incurred by or asserted against the Secured Party or any of the Beneficiaries, or their respective successors, assigns, agents and employees, in any way relating to or arising out of this Agreement, or the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Collateral (including, without limitation, latent and other defects, whether or not discoverable by the Secured Party, any of the Beneficiaries or the Debtor, and any claim for patent, trade-mark or copyright infringement), except for the gross negligence or wilful misconduct of the Secured Party.

9.14 Acknowledgement of Receipt

The Debtor acknowledges receipt of a copy of this Agreement.

9.15 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Indenture, the provisions of the Indenture shall prevail and be paramount, but only to the extent of such inconsistency.

[Signature page follows]

IN WITNESS WHEREOF the undersigned has executed and delivered this Agreement with effect as of the date first written above.

SOMERVILLE MEMORIALS LTD.

By: _____
Name: Scott Kellaway
Title: President

SCHEDULE "A"
TRADE NAMES, AMALGAMATIONS AND PRIOR NAMES

Trade Names or Styles

Nil.

Amalgamations

The Debtor amalgamated with 419433 Alberta Ltd.

Other Prior Names

Nil.

9903729.1

SCHEDULE “F”

FORM OF CORPORATION SECURITIES PLEDGE AGREEMENT

**TO THE DEBENTURE INDENTURE BETWEEN FAMILY MEMORIALS INC. AND
COMPUTERSHARE TRUST COMPANY OF CANADA**

SECURITIES PLEDGE AGREEMENT

THIS SECURITIES PLEDGE AGREEMENT (this “**Agreement**”) is dated with effect as of this ____ day of _____, 2011 by **FAMILY MEMORIALS INC.** (the “**Debtor**”) to and in favour of **COMPUTERSHARE TRUST COMPANY OF CANADA** as the Debenture Trustee for and on behalf of itself and the Debentureholders (as such term is defined in the Indenture referred to below) (the “**Secured Party**”).

WHEREAS:

- A. The Debtor is or is about to become indebted to the Secured Party and the Debentureholders (collectively, the “**Beneficiaries**”) pursuant to or in connection with certain Debentures issued or to be issued pursuant to an indenture made between the Debtor and the Secured Party dated with effect as of the date hereof (as amended, supplemented, replaced or restated from time to time, the “**Indenture**”);
- B. The Debtor is the sole shareholder of **GRAJACK INDUSTRIES LTD., R. H. VERDUYN GRANITE COMPANY LTD., BARBER MONUMENTS LIMITED** and **SOMERVILLE MEMORIALS LTD.** (collectively, the “**Pledged Entities**”);
- C. As security for the obligations of the Debtor under the Indenture, the Debtor desires to create in favour of the Secured Party for the benefit of the Beneficiaries a security interest in all personal property of the Debtor, including the shares of the Pledged Entities, as hereinafter provided.

NOW THEREFORE, in consideration of the amounts advanced to the Corporation by the Debentureholders in connection with the Debentures issued pursuant to the Indenture, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor covenants and agrees to and in favour of the Secured Party as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions.

Except as otherwise expressly provided herein, capitalized terms used in this Agreement but not defined herein shall have the meanings assigned to such terms in the Indenture. In this Agreement or any amendment to this Agreement, unless the context clearly indicates to the contrary:

- (a) “**Agreement**” means this Securities Pledge Agreement and all amendments made hereto by written agreement between the Debtor and the Secured Party;
- (b) “**Collateral**” means the property and assets subject to the Security Interest constituted by Section 2.1 hereof, including, without limitation, the Pledged Securities;

- (c) **“Obligations”** means any and all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, at any time or from time to time due or accruing due and owing by or otherwise payable by the Debtor in connection with the Indenture, the Debentures and the other Indenture Documents, in any currency, however or wherever incurred, and whether incurred by the Corporation alone or jointly with another or others and whether as principal, guarantor or surety and in whatever name or style, and (ii) the due performance and compliance by the Debtor with all of the terms and conditions of the Indenture, the Debentures and the other Indenture Documents, as such debts, liabilities and obligations may be varied from time to time; and
- (d) **“Pledged Securities”** means all of the shares and other securities in the capital of the Pledged Entities now owned or hereafter acquired by the Debtor including, without limitation, the shares listed in **Schedule “A”** hereto.

1.2 Sections and Headings.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement. The terms **“this Agreement”**, **“hereof”**, **“hereunder”** and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.3 Extended Meanings.

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organisations and corporations.

ARTICLE 2 GRANT OF SECURITY INTEREST AND PLEDGE

2.1 Grant and Pledge of Collateral.

As general and continuing collateral security for the payment and performance of all Obligations, the Debtor hereby mortgages, charges, assigns, transfers, delivers, pledges, hypothecates and creates a Security Interest in, to and in favour of the Secured Party for the benefit of the Beneficiaries, all right, title and interest which the Debtor now has or may hereafter acquire in and to the following:

- (a) all Pledged Securities, together with any renewals thereof, substitutions thereof or additions thereto and all certificates and instruments evidencing or representing the Pledged Securities;
- (b) any and all dividends, as and where declared, whether in shares, money or property, received or receivable upon or in respect of any Pledged Securities and

all interest payments and money or other property paid or payable on account of any return on, or repayment of, capital in respect of any Pledged Securities or that will in any way be charged to, or be payable out of, the capital of any of the Pledged Entities in respect thereof;

- (c) any and all other property that may at any time be received or receivable by or otherwise distributed to the Debtor in respect of, or in substitution for, or in addition to, or in exchange for, or on account of, any of the foregoing, including, without limitation, any shares or other securities resulting from the subdivision, consolidation, change, conversion or reclassification of any of the Pledged Securities, or the reorganization or amalgamation of any of the Pledged Entities with any other body corporate, or the occurrence of any event which results in the substitution or exchange of the Pledged Securities; and
- (d) any and all cash, securities and other proceeds in respect of the foregoing and all rights and interest of the Debtor in respect thereof or evidenced thereby including, without limiting the generality of the foregoing, all money received or receivable from time to time by the Debtor in connection with the sale of any of the Pledged Securities.

2.2 Delivery of Collateral.

All certificates, instruments or other documents representing the Pledged Securities, duly endorsed in blank for transfer or accompanied by powers of attorney satisfactory to the Secured Party, shall forthwith be delivered immediately to and remain in the custody of the Secured Party or its nominee. All certificates, instruments or other documents representing or evidencing any additional Pledged Securities hereinafter acquired by the Debtor shall forthwith after issuance be delivered to and remain in the custody of the Secured Party or its nominee. All Pledged Securities may, at the option of the Secured Party, be registered in the name of the Secured Party or its nominee. The Debtor shall execute and deliver to the Secured Party a certified copy of a resolution of the directors or shareholders of each of the Pledged Entities or any consents required under such constating documents, as applicable, consenting to the transfers contemplated by this Agreement.

2.3 Attachment.

The Debtor hereby acknowledges that value has been given, the Debtor has rights in the Collateral and the Debtor has not agreed to postpone the time for attachment.

2.4 Control.

The Debtor agrees to execute such other documents and to perform such other acts, and to cause any issuer or securities intermediary to execute such other documents and to perform such other acts as may be necessary or appropriate in order to give the Secured Party (for the benefit of the Beneficiaries) "control" of such Collateral, as defined in the *Securities Transfer Act, 2006* (Ontario), which "control" shall be in such manner as the Secured Party shall designate in its sole judgment and discretion, including, without limitation, an agreement by any issuer or securities intermediary that it will comply with instructions in the case of an issuer or entitlement orders in

the case of a securities intermediary, originated by the Secured Party, whether before or after the security hereby constituted becomes enforceable, without further consent by the Debtor.

ARTICLE 3 REPRESENTATIONS, WARRANTIES AND COVENANTS

3.1 Representations and Warranties of the Debtor.

The Debtor hereby represents and warrants to the Secured Party, upon each of which representations and warranties the Secured Party specifically relies, as follows:

- (a) the Debtor is and will be the sole legal and beneficial owner of the Collateral now in existence or acquired hereafter, free of any Security Interest other than Security Interests in favour of the Secured Party for the benefit of the Beneficiaries and Permitted Encumbrances with full right to mortgage, charge, assign, transfer, deliver, pledge and hypothecate the Pledged Securities to the Secured Party for the benefit of the Beneficiaries in accordance with the provisions of this Agreement;
- (b) any shares of the Pledged Entities forming part of the Pledged Securities will be validly issued, fully paid and non-assessable and shall not be subject to any Security Interest in favour of the Pledged Entities;
- (c) there is no existing agreement, option, right or privilege capable of becoming an agreement or option pursuant to which the Debtor would be required to sell or otherwise dispose of any of the Pledged Securities; and
- (d) the Security Interest created hereby will constitute a valid perfected Security Interest in the Pledged Securities upon delivery of the share certificates representing the Pledged Securities to the Secured Party or upon registration of notice thereof in prescribed form under applicable personal property security legislation, if such registration is required in order to perfect a Security Interest in the Pledged Securities.

3.2 Covenants of Debtor.

The Debtor covenants to and in favour of the Secured Party that until all the Obligations are indefeasibly performed and paid in full, it shall:

- (a) defend the right, title and Security Interest of the Secured Party and the Beneficiaries in and to the Collateral;
- (b) except to the extent permitted by Section 4.2, not (and shall not purport to) sell or dispose of, transfer, relinquish or otherwise deal with, any of its interest in the Pledged Securities or other Collateral or incur or permit to exist any Security Interest other than Permitted Encumbrances or any Security Interest that is in favour of the Secured Party for the benefit of the Beneficiaries in or with respect to any of the Pledged Securities or other Collateral;

- (c) ensure that, at the request of the Secured Party, all Pledged Securities shall be registered in the name of the Secured Party or its nominee, that any certificates representing the Pledged Securities shall be forthwith delivered to and remain in the custody of the Secured Party or its nominee, and that all certificates, instruments or other documents representing or evidencing any Pledged Securities shall forthwith after issuance be delivered to, and remain in the custody of, the Secured Party or its nominee;
- (d) ensure that such stock powers of attorney and similar documents with respect to the Pledged Securities as the Secured Party may reasonably request, satisfactory in the form and substance to the Secured Party, shall be delivered to the Secured Party or its nominee from time to time upon request; and
- (e) not, with respect to the Pledged Securities, enter into, amend, or waive any right or obligation under, any shareholder agreement, voting agreement, voting trust, trust deed, irrevocable proxy or other similar agreements or instruments.

ARTICLE 4 DEALING WITH COLLATERAL

4.1 Rights and Duties of the Secured Party.

- (a) The Secured Party shall have and be entitled to exercise all such powers hereunder as are specifically delegated to the Secured Party by the terms hereof, together with such powers as are incidental thereto. The Secured Party may execute any of its duties hereunder by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to its duties hereunder.
- (b) The Secured Party and any nominee on its behalf shall be bound to exercise in the holding of the Pledged Securities and other Collateral the same degree of care as it would exercise with respect to similar property of its own of similar value held in the same place. The Secured Party and any other nominee on its behalf shall be deemed to have exercised reasonable care with respect to the custody and preservation of the Collateral if it takes such action for this purpose as the Debtor shall reasonably request in writing, but failure of the Secured Party or its nominee to comply with any such request shall not in and of itself be deemed a failure to exercise reasonable care, and no failure of the Secured Party or its nominee to preserve or protect any rights with respect to the Collateral, or to do any act with respect to preservation of the Collateral not so requested by the Debtor, shall in and of itself be deemed a failure to exercise reasonable care in the custody or preservation of the Collateral. Neither the Secured Party nor any nominee acting on its behalf, nor any director, officer or employee of the Secured Party shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith except for their own gross negligence or wilful misconduct. The Secured Party is hereby released from all responsibilities for any depreciation in or loss of value of any part of the Collateral except for such depreciation or loss of

value that is the result of the Secured Party's (or its authorized agents' or nominee's or that of its officers, directors or employees) gross negligence or wilful misconduct.

4.2 Voting Rights.

- (a) Unless an Event of Default has occurred and is continuing, the Debtor is entitled to exercise all the rights and powers of a holder of such securities including, without limitation, the right to vote from time to time exercisable in respect of the Collateral and to give proxies, consents and waivers in respect thereof. No such action may be taken if it would violate or be inconsistent with the Indenture, any other document to which the Debtor is a party, or this Agreement or any other agreements relating thereto or hereto or would have the effect of reducing the value of the Collateral as security for the Obligations or imposing any restriction on the transferability of any of the Collateral.
- (b) Upon the occurrence of an Event of Default that is continuing, the rights and powers of the Debtor as a holder of such securities including, without limitation, the right to vote the Collateral, will cease immediately and the Secured Party will have the right to exercise the rights and powers related to such Collateral, including, without limitation, the right to vote unless the Secured Party shall have given a notice to the Debtor permitting the Debtor to continue to exercise such rights and powers subject to any limitations set forth in such notice.
- (c) Prior to the occurrence of an Event of Default that is continuing, the Secured Party shall, in a timely manner, deliver to the Debtor all notices, statements or other communications received by it or its nominee in respect of the Pledged Securities. At any time after the occurrence of an Event of Default that is continuing, the Debtor waives all rights to be advised of or to receive any notices, statements or communications received by the Secured Party or its nominee.

4.3 Dividends and Interest Payments.

- (a) Unless an Event of Default has occurred and is continuing, the Debtor is entitled to receive all dividend payments or other distributions or interest payments in respect of the Collateral.
- (b) Upon the occurrence of an Event of Default that is continuing, all rights of the Debtor pursuant to Section 4.3(a) shall cease and the Secured Party will have the sole and exclusive right and authority to receive and retain all payments that the Debtor would otherwise be authorised to retain pursuant to Section 4.3(a). All money and other property received by the Secured Party pursuant to the provisions of this Section 4.3(b) may be applied on account of the Obligations or may be retained by the Secured Party as additional Collateral hereunder and be applied in accordance with the provisions of the Indenture.

ARTICLE 5 REMEDIES

5.1 Remedies

- (a) On or after the occurrence of an Event of Default that is continuing, (i) any or all of the Obligations will at the option of the Secured Party become immediately due and payable or be subject to immediate performance, as the case may be, without presentment, protest or notice of dishonour, all of which are expressly waived, (ii) the obligation, if any, of the Secured Party or any Debentureholder to extend further credit to the Debtor will cease, (iii) any or all security granted hereby will, at the option of the Secured Party, become immediately enforceable, and (iv) in addition to any right or remedy provided by law, the Secured Party will have the rights and remedies set out below, all of which rights and remedies will be enforceable successively, concurrently or both:
- (i) transfer any part of the Collateral into the name of the Secured Party or its nominee;
 - (ii) vote any of the Collateral (whether or not registered in the name of the Secured Party or its nominee) and give or withhold all consents and waivers in respect thereof;
 - (iii) exercise all rights of conversion, exchange or subscription, or any other rights, privileges or options pertaining to any of the Collateral, including, without limitation, the right to exchange at its discretion any of the Collateral upon the amalgamation, arrangement, merger, consolidation or other reorganization of the issuer of the Collateral, all without liability except to account for property actually received by the Secured Party;
 - (iv) from time to time realise upon, collect, sell, transfer, assign, give options to purchase or otherwise dispose of and deliver any Collateral in such manner as may seem advisable to the Secured Party. For such purposes each requirement relating thereto and prescribed by law or otherwise is hereby waived by the Debtor to the extent permitted by law and in any offer or sale of any of the Collateral the Secured Party is authorized to comply with any limitation or restriction in connection with such offer or sale as the Secured Party may be advised by counsel is necessary in order to avoid any violation of applicable law, or in order to obtain any required approval of the sale or of the purchase by any governmental or regulatory authority or official. Such compliance will not result in such sale being considered (or deemed) not to have been made in a commercially reasonable manner nor will the Secured Party be liable or accountable to the Debtor for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction;

- (v) purchase any of the Collateral, whether in connection with a sale made under the power of sale herein contained or pursuant to judicial proceedings or otherwise; and
 - (vi) accept the Collateral in satisfaction of the Obligations upon notice to the Debtor of its intention to do so in the manner required by law.
- (b) The Secured Party may (i) grant extensions of time, (ii) take and perfect or abstain from taking and perfecting security, (iii) give up securities, (iv) accept compositions or compromises, (v) grant releases and discharges, and (vi) release any part of the Collateral or otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other security as the Secured Party sees fit without prejudice to the liability of the Debtor to the Secured Party or the Beneficiaries or the Secured Party's rights hereunder.
- (c) The Secured Party will not be liable or responsible for any failure to seize, collect, realise, or obtain payment with respect to the Collateral and is not bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realising or obtaining possession or payment with respect to the Collateral or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, in respect of the Collateral.
- (d) The Secured Party may apply any proceeds of realisation of the Collateral to payment of reasonable expenses in connection with the preservation and realisation of the Collateral as above described and the Secured Party may apply any balance of such proceeds to payment of the Obligations in accordance with the terms of the Indenture.

5.2 Payment of Expenses.

The Secured Party may charge on its own behalf and also pay to others all reasonable out-of-pocket expenses of the Secured Party and others, including the reasonable fees and disbursements of any experts or advisers (including, without limitation, reasonable legal fees) retained by the Secured Party, incurred in connection with realising, collecting, selling, transferring, delivering or obtaining payment for the Collateral, or in connection with the administration of any amendment of this Agreement or incidental to the care, safekeeping or otherwise of any Collateral. The Secured Party may deduct the amount of such expenses from any proceeds of disposition of the Secured Party.

ARTICLE 6 GENERAL

6.1 Benefit of the Agreement.

This Agreement will enure to the benefit of and be binding upon the successors and assigns of the parties hereto and will enure to the benefit of the Debentureholders.

6.2 Amendments and Waivers.

No amendments to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

6.3 Assignment.

The rights, title and interest of the Secured Party under this Agreement may only be assigned by the Secured Party in accordance with the provisions of the Indenture. The Debtor may not assign its obligations under this Agreement without the prior written consent of the Secured Party.

6.4 Severability.

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof will continue in full force and effect.

6.5 Notices.

All notices required or permitted under this Agreement shall be given in the manner and to the addresses specified in the Indenture.

6.6 Additional Continuing Security.

This Agreement and the Security Interest granted hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party for the benefit of the Beneficiaries and this Agreement is a continuing agreement and security that will remain in full force and effect until discharged by the Secured Party.

6.7 Further Assurances.

The Debtor must at its expense from time to time do, execute and deliver, or cause to be done, executed and delivered, all such financing statements, further assignments, documents, acts, matters and things as may be reasonably requested by the Secured Party for the purpose of giving effect to this Agreement or for the purpose of establishing compliance with the representations, warranties and covenants herein contained.

6.8 Power of Attorney.

Upon the occurrence of an Event of Default that is continuing, the Debtor hereby irrevocably constitutes and appoints any duly appointed officer of the Secured Party the true and lawful attorney of the Debtor, with full power of substitution, to do, make and execute all such statements, assignments, documents, acts, matters or things with the right to use the name of the Debtor whenever and wherever the officer may deem necessary or expedient and from time to

time to exercise all rights and powers and to perform all acts of ownership in respect of the Collateral in accordance with this Agreement.

6.9 Discharge.

The Debtor will not be released or discharged from any of the Obligations or from this Agreement except by a release or discharge signed in writing by the Secured Party which shall not be unreasonably withheld or delayed. The Secured Party shall, upon indefeasible satisfaction of all of the Obligations of the Debtor to the Secured Party, execute such releases and discharges as the Debtor may reasonably require, all at the request and sole cost and expense of the Debtor and return to the Debtor all Pledged Securities together with all other Collateral in the possession of the Secured Party and its nominees.

6.10 Governing Law and Attornment.

This Agreement shall be exclusively (without regard to rules or principals relating to conflicts of laws) governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Debtor and the Secured Party hereby irrevocably and unconditionally attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario and all courts competent to hear appeals therefrom.

6.11 Entire Agreement.

This Agreement has been entered into pursuant to the provisions of the Indenture and is subject to all the terms and conditions thereof and, if there is any conflict or inconsistency between the provisions of this Agreement and the provisions of the Indenture, the rights and obligations of the parties will be governed by the provisions of the Indenture, provided, however, that the existence of remedies in this Agreement which are not contained in the Indenture shall not constitute a conflict or inconsistency with the Indenture. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Secured Party and the Debtor with respect to the subject matter hereof except as expressly set forth herein or in the Indenture and the other documents delivered in connection with the Indenture.

6.12 Counterparts

This Agreement may be executed in several counterparts and delivered by facsimile or other electronic transmission, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement.

6.13 Executed Copy.

The Debtor acknowledges receipt of a fully executed copy of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF the undersigned has executed and delivered this Agreement with effect as of the date first written above.

FAMILY MEMORIALS INC.

By: _____
Name: Scott Kellaway
Title: Chief Executive Officer

SCHEDULE “A”

Pledged Securities

1. 2,500 Common Shares in the capital of Barber Monuments Limited, represented by share certificate no. C-9.
2. 501 Common Shares in the capital of Grajack Industries Ltd., represented by share certificate no. 9.
3. 1 Common Share in the capital of R. H. Verduyn Granite Company Ltd., represented by share certificate no. 2.
4. 100 Class A Common Voting Shares in the capital of Somerville Memorials Ltd., represented by share certificate no. 3-A.