

OPTIONAL MORTGAGE COVENANT
No. FNFC - 1418
(FOR CMHC INSURED MORTGAGES)

Filed by: **FIRST NATIONAL FINANCIAL GP CORPORATION**
CMHC – FORM N

The following set of Optional Mortgage Covenants shall be deemed to be included in every mortgage in which the set is referred to by its filing number, as provided in section 25 of the Land Titles Act, S.N.B. 1981, c.L –1.1.

1. The specified parcel(s) identified on the first page of this mortgage will be referred to in these covenants and conditions as "the lands and premises" and which expression shall also include all buildings, machinery and improvements thereon and all the rights, members, privileges, easements and appurtenances belonging or in any manner appertaining, and the reversions and remainders, rents, issues and profits thereof, and all the estate, right, title, interest, use, possession, property, claim and demand, both at law and in equity, of the mortgagor of, in, to, out of, and upon the lands and premises and every part and parcel thereof, and the mortgagor covenants with the mortgagee that all erections and improvements fixed or otherwise now on or hereafter put upon the lands and premises, including but without limiting the generality of the foregoing, all fences, furnaces, heating, plumbing, air conditioning, ventilating, lighting and water heating equipment, cooking and refrigeration equipment, window blinds, storm windows and storm doors, window screens and screen doors, and all apparatus and equipment appurtenant thereto are and shall, in addition to other fixtures thereon, be and become fixtures and form part of the lands and premises and this mortgage.
2. AND IT IS AGREED BETWEEN THE PARTIES HERETO that the expression the "mortgagor" used in this mortgage shall include the mortgagor and the heirs, executors, administrators, successors and assigns of the mortgagor, and the expression the "mortgagee" shall include the mortgagee and the successors and assigns of the mortgagee, and the expression the "guarantor" shall include the guarantor, and the heirs, executors, administrators, successors and assigns of the guarantor, and words in the singular include the plural, and words in the plural include the singular, and words importing the masculine include the feminine and neuter genders where the context so requires, and that all covenants, liabilities and obligations entered into or imposed hereunder upon the mortgagor shall be joint and several, and that all covenants, liabilities and obligations entered into or imposed hereunder upon the guarantor shall be joint and several.
3. The mortgagor covenants with the mortgagee that the mortgagor shall pay the mortgagee the principal sum and interest hereby secured in the manner and at the times hereinbefore provided and mentioned for the payment thereof and all other moneys payable under the terms of this mortgage, and shall observe and perform all covenants, provisos, terms, conditions, and agreements contained herein.
4. PROVIDED that all arrears of principal and interest or compound interest required by this mortgage to be paid shall bear compound interest at the interest rate hereinbefore stated as well after as before maturity, to be computed with rests and paid on the interest adjustment date and semi-annually thereafter in each year and all such interest and compound interest shall be a charge on the lands and premises.
5. With respect to INSURANCE, the mortgagor covenants and agrees with the mortgagee as follows:
 - (a) the mortgagor shall forthwith insure and during the continuance of this security keep insured in favour of the mortgagee against loss or damage by fire and, as the mortgagee may require, insure against loss or damage by tempest, tornado, cyclone, lightning, floods and other risks or hazards, each and every building on the lands and premises and which may hereafter be erected thereon, both during erection and thereafter, for the full replacement value

thereof in lawful money of Canada with a company approved by the mortgagee to whom the loss shall be made payable, and the mortgagor shall forthwith assign, transfer and deliver over unto the mortgagee the policy of insurance and receipts thereof appertaining;

- (b) if the mortgagor shall neglect to keep the lands and premises or any part thereof insured as aforesaid, or to deliver such policies and receipts or to produce to the mortgagee at least five days before the termination of any insurance, evidence of renewal thereof, the mortgagee shall be entitled but shall not be obliged to insure the lands and premises or any part thereof and the mortgagor covenants to repay to the mortgagee all premiums so paid by it and all such premiums shall be repayable with interest at the rate hereinbefore stated until paid and shall be a further charge on the lands and premises and the mortgagee shall have a lien for the said mortgage debt on all insurance effected on the lands and premises;
 - (c) the mortgagor shall forthwith on the happening of any loss or damage, furnish at the mortgagor's own expense all necessary proofs and do all necessary acts to enable the mortgagee to obtain payment of the insurance moneys; and any insurance money received may, at the option of the mortgagee, be applied in rebuilding, reinstating or repairing the lands and premises or be paid to the mortgagor or any other person appearing by the registered title to be or to have been the owner of the lands and premises or be applied or paid partly in one way and partly in another, or it may be applied, in the sole discretion of the mortgagee, in whole or in part on the mortgage debt or any part thereof whether due or not then due; and the mortgagor does release to the mortgagee all the mortgagor's claims upon the lands and premises, subject to the said provisos; and
 - (d) the mortgagor hereby appoints the mortgagee as the mortgagor's agent and attorney for the mortgagor in the mortgagor's name and in the name of each of them to execute all receipts and discharges to the insurance company or companies insuring as aforesaid for any moneys payable under the policies for loss or otherwise, and in case of sale under the power of sale contained in this mortgage, to assign such policy or policies of insurance to the purchaser at such sale or to cancel the same and receive the return premium.
6. The mortgagor shall maintain the lands and premises in good and sufficient order and repair to the satisfaction of the mortgagee and the mortgagor shall not commit or permit any act of waste on the lands and premises.
7. The mortgagor shall not make or permit any demolition, alteration or addition to the lands and premises without the prior written consent of the mortgagee and will not use the lands and premises or permit them to be used without the prior written consent of the mortgagee for a purpose other than that disclosed to the mortgagee in the application for this mortgage and the mortgagor will not use the lands and premises or permit them to be used for the purpose of any business, hotel, trade or manufacture of any description.
8. With respect to TAXES, RATES AND ASSESSMENTS, the mortgagor covenants and agrees with the mortgagee as follows:
- (a) that the mortgagor shall, during the continuance of this security, promptly pay when and as the same fall due, all taxes, rates, assessments, liens, levies, charges, rents and other impositions which are now or which may hereafter be levied, rated, charged, assessed or imposed on the lands and premises or upon this mortgage, or the mortgagee in respect of this mortgage, and shall produce, and forward to the mortgagee receipts as evidence of payment thereof;
 - (b) provided that in respect of provincial taxes, municipal taxes and local improvement rates (hereinafter referred to as "taxes") chargeable against the lands and premises, it is MUTUALLY AGREED between the parties hereto that:
 - (i) the mortgagee may deduct from the final advance of the moneys secured by this mortgage an amount sufficient to pay the taxes which have become or will become due and payable on or before the day preceding the interest adjustment date set forth in this mortgage and are unpaid at the date of such final advance;
 - (ii) after the interest adjustment date the mortgagor shall pay the mortgagee in monthly instalments on the dates on which instalments of principal and interest are payable hereunder, sums sufficient to

enable the mortgagee to pay the whole amount of taxes on or before the due date for payment thereof or, if such amount is payable in instalments, on or before the due date for payment of the first instalment thereof;

- (iii) where the period between the interest adjustment date and the next following annual due date or first instalment date is less than one year the mortgagor shall pay to the mortgagee, in equal monthly instalments, during such period and during the next succeeding 12 months period, an amount estimated by the mortgagee to be sufficient to pay on or before the expiration of the said 12 months period all taxes which shall become due and payable during the said two periods and during the balance of the year in which the said 12 months period expires; and the mortgagor shall also pay to the mortgagee on demand the amount, if any, by which the actual taxes exceed such estimated amount;
 - (iv) except as provided in the last preceding clause, the mortgagor shall, in each and every month, pay to the mortgagee one-twelfth of the amount (as estimated by the mortgagee) of the taxes next becoming due and payable, and the mortgagor shall also pay to the mortgagee on demand the amount, if any, by which the actual taxes exceed such estimated amount; and
 - (v) the mortgagee shall allow the mortgagor interest, at not less than the prevailing rate allowed by the chartered banks on personal savings deposits with chequing privileges, on the minimum monthly balances standing in the mortgage account from time to time to the credit of the mortgagor for payment of taxes, such interest to be credited to the mortgage account not less frequently than once each year; and the mortgagor shall be charged interest, at the mortgage rate, on the debit balance, if any, of taxes in the mortgage account outstanding after payment of taxes by the mortgagee, until such debit balance is fully repaid.
- (c) the mortgagee agrees to apply such deduction and payments on the taxes chargeable against the lands and premises so long as the mortgagor is not in default under any covenant, proviso, condition or agreement contained herein; but nothing herein contained shall obligate the mortgagee to apply such payments on account of taxes more often than yearly. Provided, however, that if, before any sum or sums so paid to the mortgagee shall have been so applied, there shall be default by the mortgagor in respect of any payment of principal or interest as herein provided, the mortgagee may apply such sum or sums in or towards payment of the principal and/or interest in default. The mortgagor further covenants and agrees to transmit to the mortgagee the assessment notices, tax bills and other notices affecting the imposition of taxes forthwith after the receipt of same by the mortgagor; and
- (d) notwithstanding subparagraphs (b) and (c), the mortgagee may, with the approval of Canada Mortgage and Housing Corporation, request the mortgagor to pay the taxes as and when such taxes become due and to submit to the mortgagee tax receipts evidencing the payment of the said taxes within 30 days after they become due, and in such case, the aforesaid monthly instalment, where applicable, will be adjusted accordingly.
9. IT IS FURTHER STIPULATED, provided and agreed that the mortgagee may pay the amount of any encumbrance, lien or charge now or hereafter existing or to arise or be claimed upon the lands and premises, having priority over this mortgage, including any taxes or other rates on the lands and premises or any part thereof, and may pay all costs, charges and expenses which may be incurred in taking, recovering and keeping possession of the lands and premises or in securing or retaining or attempting to realize upon any security collateral hereto, and all solicitor's charges or commissions for or in respect of the collection of any overdue instalments or other moneys whatsoever payable by the mortgagor hereunder, as between solicitor and client, whether any action or other judicial proceeding to enforce such payment has been taken or not.
10. It is the intention of the parties hereto that the building now erected, being erected or to be erected on the lands and premises forms part of the security for the full amount of the moneys secured by this mortgage and that all advances on this mortgage are to be made from time to time in the future in accordance with the progress of construction of such building and/or upon its completion and occupation or sale; and the mortgagor agrees that neither the execution nor registration of this mortgage nor the advance of part of the said moneys shall bind the mortgagee to advance the said moneys or any

unadvanced part thereof, and that the advance of the said moneys or any part thereof from time to time shall be in the sole discretion of the mortgagee.

11. PROVIDED that upon default of the payment of any instalment or any other moneys payable hereunder by the mortgagor, or upon breach of any covenant, agreement or proviso herein contained, or upon any waste being committed or suffered on the lands and premises, the whole of the moneys hereby secured remaining unpaid shall, at the option of the mortgagee, forthwith become due and payable; but waiver of or failure to enforce at any time or from time to time any of the rights of the mortgagee hereunder shall not prejudice the mortgagee's rights in the event of any future default or breach.
12. The mortgagor covenants and agrees with the mortgagee that in the event of default in the payment of any instalment or other moneys payable hereunder by the mortgagor or on breach of any covenant, proviso or agreement herein contained, after all or any part of the moneys hereby secured have been advanced, the mortgagee may, at such time or times as the mortgagee may deem necessary and without the concurrence of any person, enter upon the lands and premises and may make such arrangements for completing the construction of, repairing or putting in order any buildings or other improvements on the lands and premises, or for inspecting, taking care of, leasing, collecting the rents of and managing generally the lands and premises, as the mortgagee may deem expedient; and all reasonable costs, charges and expenses, including allowances for the time and service of any employee of the mortgagee or other person appointed for the above purposes shall be forthwith payable to the mortgagee and shall be a charge upon the lands and premises and shall bear interest at the mortgage rate until paid.
13. PROVIDED that if default shall be made in the payment of the moneys hereby secured or any part thereof or in case of the breach or non-performance of any of the covenants, provisos, conditions or agreements herein contained on the part of the mortgagor to be observed or performed, in whole or in part, then and in any such case it shall be lawful for the mortgagee at any time thereafter on giving notice in writing to the mortgagor at least four weeks in advance of a sale and on notice being published in one of the public newspapers having general circulation in the county in which the lands and premises are located for four consecutive weeks absolutely to sell and dispose of the said lands and premises or any part thereof, either by public auction or private contract, or part thereof one way and part the other, for such price or prices for cash or otherwise as to the said mortgagee shall seem fit; and that all contracts which shall be entered into and all conveyances which shall be executed by the mortgagee for the purpose of effecting any such sale shall be valid and effectual notwithstanding that the mortgagor shall not join therein or assent thereto; and that it shall not be incumbent on the respective purchasers of the lands and premises or any part thereof to ascertain or enquire whether such notice of sale shall have been given; and that the mortgagee is to be at liberty to bid and buy at any such sale; and that all sums realized by any sale of the lands and premises by the mortgagee shall be applied to the payment of all expenses incurred in realizing the same and interest thereon and the balance shall be applied so far as may be required by the mortgagee to the satisfaction of the debt and other amounts secured hereby whether then due or not. Any notices required to be given hereunder may be given by an officer, agent, attorney or solicitor of the mortgagee.
14. The provisions of the *Property Act*, R.S.N.B. 1973, c. P.-19, including the power of sale and all other powers conferred upon a mortgagee by virtue thereof are incorporated herein, as if this mortgage were made by deed and shall apply to this mortgage and the provisions of the *Land Titles Act*, S.N.B. 1981, c.1-1.1 shall also apply to this mortgage.
15. The mortgagee shall have a reasonable time after payment of the mortgage moneys in full within which to prepare and execute a discharge of this mortgage; and interest as aforesaid shall continue to run and accrue until actual payment in full has been received by the mortgagee; and all legal and other expenses for the preparation and execution of such discharge shall be borne by the mortgagor.
16. PROVIDED that the mortgagee may at all times release any part or parts of the lands and premises or any other security or any surety for payment of all or any part of the moneys hereby secured or may release the mortgagor or any other person from any covenant or other liability to pay the said moneys or any part thereof, either with or without any consideration therefor, and without being accountable for the value thereof or for any moneys except those actually received by the mortgagee, and without thereby releasing any other part of the lands and premises, or any other securities or covenants herein contained it being especially agreed that notwithstanding any such release the lands and premises, securities and covenants remaining unreleased shall stand charged with the whole of the moneys hereby secured.
17. PROVIDED that any and all moneys expended by the mortgagee under any of the provisions hereof, including allowances for the time and service of any employee or

agent of the mortgagee, shall be forthwith repaid to the mortgagee by the mortgagor and until repaid shall be added to the debt hereby secured and be a charge on the lands and premises hereby mortgaged, as being part of the moneys advanced hereunder and, shall bear interest at the rate aforesaid; and any such payment shall entitle the mortgagee to exercise the powers exercisable hereunder in case of default; and should the mortgagee pay the amount of any encumbrance, lien or charge either out of the moneys intended to be advanced on the security of this mortgage or otherwise, the mortgagee shall, in addition to all other rights, be entitled to all the rights, equities and securities of the person or persons, company, corporation or Government so paid off and is hereby authorized to retain any discharge thereof, without registration, for such period as, in the absolute discretion of the mortgagee, may be determined.

18. With respect to TITLE, the mortgagor covenants with the mortgagee as follows:
 - (a) that the mortgagor, as beneficial owner, has a good, perfect, indefeasible title in fee simple in the lands and premises and that the mortgagor has good right, full power and authority to mortgage and charge the same in the manner and form as the lands and premises are hereby mortgaged and charged or intended so to be;
 - (b) to forever warrant and defend the lands and premises and every part thereof unto the mortgagee against the lawful claims of all persons whomsoever;
 - (c) that on demand of the mortgagee, to execute such further acts, deeds, conveyances and assurances of the lands and premises as may be requisite; and
 - (d) that the mortgagor has done no act to encumber the lands and premises (other than as disclosed in writing to the mortgagee prior to the execution hereof) and that on default, the mortgagee shall have quiet possession of the lands and premises.
19. PROVIDED that no extension of time given by the mortgagee to the mortgagor, or anyone claiming under the mortgagor, or any other dealing by the mortgagee with the owner of the equity of redemption of the lands and premises, shall in any way affect or prejudice the rights of the mortgagee against the mortgagor or any other person liable for payment of the moneys hereby secured.
20. The Mortgagee or agent of the Mortgagee or agent of Canada Mortgage and Housing Corporation (hereinafter called "CMHC") may, at any time before and after default, and for any purpose deemed necessary by the Mortgagee or CMHC, enter upon the said lands to inspect the lands and buildings thereon. Without in any way limiting the generality of the foregoing, the Mortgagee or CMHC (or their respective agents) may enter upon the said lands to conduct any environmental testing, site assessment, investigation or study deemed necessary by the Mortgagee or CMHC and the reasonable cost of such testing, assessment, investigation, or study, as the case may be, with interest at the mortgage rate, shall be payable by the Mortgagor forthwith and shall be a charge upon the said lands. The exercise of any of the above powers enumerated in this clause shall not deem the Mortgagee, CMHC or their respective agents to be in possession, management or control of the said lands and buildings.
21. The principal sum advanced under this mortgage and the rate of interest thereon are as hereinbefore set forth, and the mortgagor acknowledges receipt of the said principal sum.
22. The mortgagor covenants and agrees with the mortgagee to construct a building or buildings and other improvements on the lands and premises in accordance with plans and specifications which have been or are hereafter approved by Canada Mortgage and Housing Corporation and by the mortgagee and to carry on diligently to completion the construction of the said building, buildings, and other improvements.
23. The mortgagor covenants with the mortgagee that he will promptly observe, perform, execute and comply with all laws, rules, requirements, orders, directions, ordinances and regulations of every governmental authority or agency concerning the lands and premises and will at his own cost and expense make any and all improvements thereon or alterations thereto, structural or otherwise, ordinary or extraordinary, which may be required at any time by any such present or future law, rule, requirement, order, direction, ordinance or regulation.
24. The mortgagor covenants with the mortgagee that the mortgagor shall pay all fees, costs as between solicitor and client, charges and expenses which are incurred in making and maintaining this mortgage as a charge on the lands and premises subject only to prior registered encumbrances permitted by the mortgagee, or in preparing and registering or renewing any security which is collateral to this mortgage, or in

negotiating or effecting a renewal of this mortgage, or in advancing the money under this mortgage or in inspecting or revaluing the lands and premises, or in taking, recovering and keeping or attempting to procure possession of the lands and premises, or in any proceeding judicial or otherwise to protect or to realize this security, and any amounts so paid by the mortgagee shall be payable forthwith by the mortgagor to the mortgagee.

25. The mortgagor covenants with the mortgagee that all monies payable hereunder other than the payments of principal and interest hereinbefore provided for and such monthly payments with respect to taxes as may from time to time be required, shall be payable forthwith by the mortgagor without demand therefor, shall bear interest at the rate and calculated in the manner hereinbefore provided with respect to the principal sum, shall be added to the principal sum and shall be a charge upon the lands and premises to the same extent and effect as the principal sum hereby secured.
26. The mortgagor covenants with the mortgagee that forthwith after making any lease of the lands and premises or any part thereof the mortgagor will execute and deliver to the mortgagee an assignment in the mortgagee's usual form of all rents payable under such lease, the benefit of all covenants, agreements and provisos therein contained on the part of the tenant to be observed and performed and the reversion of such lease, and will also execute and deliver to the mortgagee all such notices or other documents as may be required in order to render such assignment effectual in law. All costs related to same will be payable forthwith by the mortgagor to the mortgagee.
27. In the event of non-observance by the mortgagor of any covenant, proviso or agreement herein contained the mortgagee shall have the right, but shall not be bound, to perform or observe such covenant, proviso or agreement and all monies expended by the mortgagee in so doing shall be payable forthwith by the mortgagor. For the purpose of performing or observing such covenant, proviso or agreement the mortgagee may enter upon the lands and premises whenever and as often as may be requisite and shall not by reason thereof be deemed to be a mortgagee in possession.
28. The mortgagor by execution of this mortgage acknowledges receipt of a true copy of these optional mortgage covenants.
29. The mortgagor covenants with the mortgagee that any agreement in writing between the mortgagor and the mortgagee for renewal of this mortgage or extension of the terms for payment of the money payable hereunder, or any part thereof, or for any change in the rate of interest herein, prior to the execution by the mortgagee of a discharge or release of this mortgage, need not be registered, but shall be effectual and binding to all intents and purposes on the lands and on the mortgagor, and on any mortgagee, assignee or transferee who acquires an interest in the lands or any part thereof subsequent to the date of this mortgage and shall take priority as against such mortgagee, assignee or transferee when deposited with or held at the office of the mortgagee and shall not release or affect any covenants or agreement herein or collateral thereto.
30. No extension of time given by the mortgagee to the mortgagor, or anyone claiming under him, or any other dealing by the mortgagee with the owner of the equity of redemption shall in any way affect or prejudice the rights of the mortgagee against the mortgagor or any other person liable for payment of the money hereby secured.
31. The mortgagor covenants with the mortgagee that upon any change affecting the marital status of the mortgagor or the qualification of the lands and premises as a marital home within the meaning of the *Marital Property Act*, the mortgagor will advise the mortgagee accordingly and furnish the mortgagee with full particulars thereof.
32. In this Section "the Act" means the Condominium Property Act or similar Act governing condominiums in the province of registration (as from time to time amended or replaced) and "Condominium Corporation" means the corporation created by the registration of a Declaration under the Act.

In the event the mortgaged property is a condominium unit, in addition to all other provisions of this mortgage, the mortgagor agrees to comply with the following provisions.

- (a) The mortgagor will comply with the Act and with the Declaration, by-laws and rules and regulations of the condominium corporation, as they exist from time to time.

- (b) The mortgagor will pay all amounts required by the Act and by the Declaration and by-laws of the condominium corporation on or before they are due and if required by the mortgagee, will provide evidence of such payment. If any such payments are not made when required, the mortgagee may make such payments on behalf of the mortgagor and thereafter declare this mortgage to be in default.
- (c) The mortgagor will mail or deliver to the mortgagee, by prepaid registered mail, copies of every notice, assessment, claim or demand for payment, rule or regulation, request or demand for the mortgagor to consent to any matter, and every other communication relating to the charged unit or the common elements of the condominium corporation so that they are received at least 5 days before any claim or demand is payable or response required, or in the case of other communications, within 5 days of the date they are received by the mortgagor.
- (d) The mortgagee is hereby authorized, whether or not the mortgage is in default, to exercise the rights of the mortgagor under the Act to vote at any meeting of the condominium corporation, and to consent to any matter relevant to the management, sale or other dealings with the property or assets of the condominium corporation or the termination of the application of the Act to the condominium corporation.
- (e) The mortgagee may elect not to exercise its right to vote or consent and may so notify the condominium corporation, in which case the mortgagor may vote or consent on its own behalf. The election by the mortgagee not to vote or consent can be for a limited period of time or for a particular meeting or matter. Should the mortgagee exercise such right to vote or consent for the mortgagor, it shall not then become a mortgagee in possession and shall not be responsible to protect the interest of the mortgagor or for the way it shall vote or consent or for any failure to do so.
- (f) At the option of the mortgagee, the loan amount will become payable immediately if:
 - (i) government of the property of the condominium corporation under the Act is terminated;
 - (ii) a vote of the unit owners authorizes the sale of the property of the condominium corporation or of a part of its common elements;
 - (iii) the condominium corporation fails to comply with the Act, Declaration, by-laws or rules and regulations;
 - (iv) the condominium corporation fails to insure the units and common elements against destruction or damage by fire and other perils usually insured against for full replacement cost; or
 - (v) the condominium corporation fails, in the opinion of the mortgagee, to manage the condominium property and assets in a careful way or to maintain its assets in good repair.
- (g) In addition to the insurance maintained by the condominium corporation pursuant to the requirements of the Act, the mortgagor will insure all improvements which at any time are made to the condominium unit and, as well, insure against such additional risks as may be required by the mortgagee, will provide the mortgagee certified copies of every such insurance policy naming the mortgagee as loss payee and, not less than 5 days before any policy expires, evidence of its renewal. If any loss or damage occurs the mortgagor will immediately, at its expense, do everything necessary to enable the mortgagee to obtain the insurance proceeds. If permitted by law, these proceeds may, at the option of the mortgagee, be applied in whole or in part to repair the damage, be paid to the mortgagor, or be applied to reduce any part of the loan amount whether or not yet due. The obligation to insure the condominium building may be performed by the condominium corporation and the proceeds of insurance may be payable in the accordance with the Declaration and by-laws of the condominium corporation. Upon the occurrence of a loss or damage, the mortgagor will fully comply with the terms of all insurance policies and with the insurance provisions of such Declaration and by-laws.

33. The guarantor, in consideration of the mortgagee making the loan to the mortgagor secured by this mortgage and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, hereby agrees as follows:
- (a) the guarantor with the mortgagor, as principal debtor and not as surety, will well and truly pay or cause to be paid to the mortgagee all amounts owing by the mortgagor hereunder for principal, interest or otherwise (the "Indebtedness") on the days and times and in manner herein limited and appointed for the payment thereof;
 - (b) to unconditionally guarantee full performance and discharge by the mortgagor of all the obligations of the mortgagor under the provisions of this mortgage at the times and in the manner herein provided;
 - (c) to indemnify and save harmless the mortgagee against and from all losses, damages, costs and expenses which the mortgagee may sustain, incur or be or become liable for by reason of:
 - (i) the failure for any reason whatsoever of the mortgagor to pay the Indebtedness or to do and perform any other act, matter or thing pursuant to the provisions of this mortgage; or
 - (ii) any act, action or proceeding of or by the mortgagee for or in connection with the recovery of the Indebtedness or the obtaining of performance by the mortgagor or any other person liable hereunder of any other act, matter or thing pursuant to the provisions of this mortgage;
 - (d) that the mortgagee shall not be obliged to proceed against the mortgagor or any other person liable hereunder or to enforce or exhaust any security before proceeding to enforce the obligations of the guarantor herein set out and that enforcement of such obligations may take place before, after or contemporaneously with enforcement of any debt or obligation of the mortgagor or any other person liable hereunder or the enforcement of any security for any such debt or obligation;
 - (e) the mortgagee may grant any extension of time for payment, increase the rate of interest payable under this mortgage, renew or extend the term of this mortgage, release the whole or any part of the lands and premises or other security from this mortgage or otherwise deal with the mortgagor, all without in any way releasing the guarantor from his covenant hereunder;
 - (f) that the guarantor has read this mortgage and is fully aware of its terms and in particular the terms of this paragraph;
 - (g) the mortgagee, as it sees fit, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and all existing securities up to, and abstain from taking securities from or perfecting securities of, and may compromise, compound, and accept compositions from, and may otherwise deal with, the mortgagor and all other persons liable upon any collateral or other security which the mortgagee may at any time hold, without notice to the guarantor(s) and without changing or in any way affecting the undertaking of the guarantor(s) hereunder; and
 - (h) where there is more than one guarantor, each guarantor agrees with the mortgagee to be jointly and severally responsible hereunder with the other guarantors and the mortgagor.
34. This mortgage shall have a term (the "Term") of five (5) years from the Interest Adjustment Date. The interest rate chargeable and payable on the principal amount and all other amounts owing under the mortgage will vary during the Term without notice to the mortgagor, in tandem with variances in the Prime Rate (defined below) and will always be the rate which is, in any month, a rate of interest per annum calculated semi-annually, not in advance, determined for such month as a rate equal to the Prime Rate at the close of business on the first day of such month less 0.80 percent per annum (the "Interest Rate"). The Interest Rate will be adjusted once per month on the first day of each and every month during the Term and will remain in effect for the entire month.

"Prime Rate" means the annual rate of interest announced from time to time by First National Financial LP, or, at the option of the mortgagee, by such one of the five largest Canadian chartered banks as it may designate, as a reference rate then in effect for determining interest on Canadian dollar loans made in Canada.

Unless this is a CMHC insured loan with interest only payments for the first 5 or 10 years, blended monthly payments of principal and interest shall be payable. When the Interest Rate changes, the amount of the blended monthly payment of principal and interest shall be recalculated by the mortgagee, so that the outstanding principal of the mortgage shall be repaid over the remainder of the amortization period of the loan. The remaining amortization period shall be equal to the original amortization period less the number of months that have elapsed since the Interest Adjustment Date.

If this is a CMHC insured mortgage with interest only payments for the first 5 years, then monthly instalments of interest only shall be payable during the first 5 years following the Interest Adjustment Date. Thereafter, blended monthly payments of principal and interest (at the interest rate in effect from time to time) shall be payable in an amount containing a principal portion equivalent to the monthly principal payment which would be payable if the loan amount were fully amortized over a 20 year amortization period commencing on the fifth anniversary of the Interest Adjustment Date at the interest rate in effect for the immediately preceding month (calculated semi-annually rather than monthly) and with the amortization period declining by one month for each month which passes therein. When the Interest Rate changes, the amount of the blended monthly payment of principal and interest shall be recalculated by the mortgagee so that the outstanding principal of the mortgage shall be repaid over the remainder of the amortization period.

If this is a CMHC insured mortgage with interest only payments for the first 10 years, then monthly instalments of interest only shall be payable during the first 10 years from the Interest Adjustment Date. Thereafter, blended monthly payments of principal and interest (at the interest rate in effect from time to time) shall be payable in an amount containing a principal portion equivalent to the monthly principal payment which would be payable if the loan amount were fully amortized over a 15 year amortization period commencing on the tenth anniversary of the Interest Adjustment Date at the interest rate in effect for the immediately preceding month (calculated semi-annually rather than monthly) and with the amortization period declining by one month for each month which passes therein. When the Interest Rate changes, the amount of the blended monthly payment of principal and interest shall be recalculated by the mortgagee so that the outstanding principal of the mortgage shall be repaid over the remainder of the amortization period.

Nothing in this Section 34 shall be deemed to alter the Term of this mortgage from that set out herein or in any renewal or extension agreement and any provision which relates to a period after the end of the Term shall only apply to the extent the Term is renewed or extended.

Within a reasonable time after each change in the Interest Rate, the mortgagee will mail to the mortgagor, at the last known address in the mortgagee's records, a notice of the changed Interest Rate and the new monthly payment of interest or principal and interest as the case may be. The Interest Rate will still vary even if the mortgagee fails to send such notice and the mortgagor fails to receive it.

All amounts payable under this mortgage shall be secured hereby and shall form a charge on the mortgaged premises.

35. Provided this mortgage is not in default and further provided that the mortgagor has maintained a satisfactory payment record, the mortgagor may, without bonus or penalty, convert this mortgage to a fixed rate mortgage for any term then offered by the mortgagee for residential mortgage loans, provided that the term chosen plus the already elapsed portion of the term of this mortgage is equal to or greater than five (5) years. The converted mortgage will bear such interest rate and contain such other terms and provisions, including prepayment provisions, if any, as the mortgagee is then making available to similar mortgagors on similar properties in similar circumstances for the term chosen.

The new term will commence and the new fixed interest rate will take effect on the next scheduled payment date or the payment date immediately thereafter as determined by the mortgagee.

To exercise this option the mortgagor shall make a written request, signed by the mortgagor (or all of them, if more than one) and the guarantor or guarantors, if any, delivered to the mortgagee, Administration Department, and the applicable interest rate and terms will be those effective as at the date such written request is received.

After exercise of this option by the mortgagor, the prepayment provisions contained in Section 36 hereof will no longer apply and the terms and conditions of the mortgage, as amended, will prevail. The mortgagee may request the mortgagor(s) and guarantor(s)

to execute an amending agreement (and if so the mortgagor(s) and guarantor(s) covenant to execute same) in form and substance acceptable to the mortgagee setting out the amended terms of the mortgage but the written notice of intention to exercise the option referred to above will be binding on the mortgagor and the mortgagee shall be entitled to rely thereon whether or not an amending agreement is executed.

36. (a) The mortgagor, when not in default of any terms or conditions contained in this mortgage, may do one or more of the following.
- (i) Without notice or charge, in any year of the Term, make, on any regular payment date (a "Payment Date"), prepayments of principal in minimum \$100.00 increments which do not exceed in the aggregate in that year fifteen percent (15%) of the original Principal Amount of this mortgage. A prepayment received after a Payment Date will be applied on the next Payment Date following receipt of the prepayment. If not, or to the extent not, exercised in any year of the Term, this privilege is not cumulative from year to year. This privilege does not apply in the case of a prepayment of the entire amount owing pursuant to subsection (a)(iii) of this Section 36.
 - (ii) Without notice or charge, on any Payment Date during the Term, make a prepayment of principal equal to, but not less than, the regular monthly instalment of principal and interest then being paid by the mortgagor. This privilege, if not exercised on a particular Payment Date, is not cumulative from Payment Date to Payment Date, and may not be combined with a prepayment of the entire amount owing pursuant to subsection (a)(iii) of this Section 36.
 - (iii) At any time prior to the maturity of the term of the mortgage, prepay the whole of the principal amount then outstanding, upon payment of three (3) months interest, at the Interest Rate in effect at the time of prepayment.
- (b) Notwithstanding any prepayment on account of any portion of the Principal Amount, the regular blended payment instalment originally set out in this mortgage shall continue to be payable on each Payment Date as set out in the mortgage for so long as there is any indebtedness outstanding under the mortgage. Notwithstanding the foregoing, if a prepayment is made on account of any portion of the Principal Amount and regular periodic payments of interest only (with no principal portion) are required under the mortgage at the time of the prepayment, then the regular instalments of interest shall be payable on the reduced Principal Amount.
37. All amounts outstanding under this mortgage may be secured by a mortgage on replacement property of at least equal value (the "Replacement Property") on the same terms and conditions as this mortgage, provided the following conditions are met:
- (a) the mortgagor is not in default under this mortgage;
 - (b) the Replacement Property is a single family dwelling;
 - (c) the mortgagor completes a new mortgage loan application for the Replacement Property for an amount not less than the then outstanding Principal Amount of this mortgage (the "new mortgage");
 - (d) the new mortgage is approved by the mortgagee;
 - (e) the new mortgage is registered as a first charge against the title of the Replacement Property and all searches, opinions and clearances required by the mortgagee are obtained;
 - (f) the term of the new mortgage shall expire on the maturity date of this mortgage;
 - (g) the new mortgage shall incorporate all terms and conditions then contained in the mortgagee's standard mortgage documentation in use at that time; and
 - (h) the mortgagor will pay all costs, charges and expenses of and incidental to the approval, taking, preparation, execution and registration of the new mortgage, or, if applicable, an amending agreement, including, without limitation, any application and appraisal fees and any mortgage insurance premiums.

38. Where the mortgagee administers a property tax account on behalf of the mortgagor (hereinafter referred to as the "Tax Account"), it is agreed that notwithstanding the provisions of section 8 (b) (v) hereof:
- (a) the mortgagee shall allow the mortgagor interest at not less than the prevailing rate published by the Royal Bank of Canada on personal savings deposits with chequing privileges on the minimum monthly balances standing in the Tax Account from time to time to the credit of the mortgagor for payment of taxes, such interest to be credited monthly to the Tax Account; and
 - (b) the mortgagor shall be charged interest at the rate of 2% above the Royal Bank of Canada Prime Rate on debit balances, if any, outstanding in the Tax Account after payment of taxes by the mortgagee, until such debit balance is fully repaid.

The "Royal Bank of Canada Prime Rate" as used herein means the annual rate of interest announced from time to time by Royal Bank of Canada as a reference rate then in effect for determining interest on Canadian dollar loans made in Canada.

39. Unless this is a CMHC insured interest only loan, the mortgagee shall allow a purchaser of the mortgaged premises to assume the mortgage from the current mortgagor provided the purchaser completes a new mortgage loan application, is approved by the mortgagee and executes an assumption agreement in form and substance satisfactory to the mortgagee.

Provided that in the event of:

- (a) the mortgagor selling, conveying, transferring or entering into any agreement to sell or transfer the title of the lands hereby mortgaged to a purchaser, grantee or transferee not approved in writing by the mortgagee; or
- (b) if such purchaser, grantee or transferee should fail to:
 - a. apply for and receive the mortgagee's written approval as aforesaid,
 - b. personally assume all the obligations of the mortgagor under this mortgage, and
 - c. execute an assumption agreement in the form required by the mortgagee,

then, at the option of the mortgagee, all monies hereby secured together with all accrued interest thereon and the amount required to be paid on a prepayment of the mortgage pursuant to Section 36(a)(iii) hereof, shall forthwith become due and payable.

40. It is acknowledged by the mortgagor that if this is a CMHC insured interest only loan this mortgage is not assumable. Notwithstanding any other provision herein, if this is a CMHC insured interest only loan, in the event of the mortgagor selling, conveying, transferring or entering into any agreement to sell or transfer the title of the lands hereby mortgaged, then, at the option of the mortgagee, all monies hereby secured, together with all accrued interest thereon and the amount required to be paid on a prepayment of the mortgage pursuant to Section 36(a)(iii) hereof, shall forthwith become due and payable.
41. In the event that any activity which violates the Criminal Code (Canada) (as same may be amended from time to time) or any other law or regulation of any competent authority is conducted on the mortgaged premises, the mortgagee may, at its option, declare all monies owing hereunder immediately due and payable and in such event any amount which would have been payable by the mortgagor had he exercised a right to prepayment at such date shall also become immediately due and payable.
42. If on or prior to maturity of this mortgage the mortgagor does not advise the mortgagee as to its intentions respecting discharging or renewing this mortgage, then provided this mortgage is not then in default, at the option of the mortgagee the term of this mortgage may be extended for a further term of six (6) months at the rate of interest being charged by the mortgagee on the maturity date of this mortgage for mortgages of a similar kind for a six month term which are open for prepayment. During such extended 6 month term, the mortgagor shall be entitled to prepay all or any part of the principal sum outstanding hereunder on 48 hours notice to the mortgagee without bonus. This clause shall continue to apply at the end of each such six month extended term until the mortgage has been paid in full.
43. The mortgagor shall pay an administration fee to the mortgagee for every dishonoured cheque or preauthorized cheque debit. The charge will automatically be debited to the mortgagor's Tax Account balance, or sundry account, unless a separate payment of such administration fee is received with a replacement cheque, or added to the preauthorized cheque debit upon reissue. The charge may vary from time to time and will

be published in the mortgagee's schedule of fees. The mortgagee also reserves the right to charge reasonable fees for other administrative services such as, but not limited to, discharges, assumptions, transfers, payment frequency changes, mortgage statements, etc. and the mortgagor agrees to pay such fees.

44. The mortgagor covenants with the mortgagee that in this mortgage or in the covenants and conditions included herein whether as statutory covenants and conditions or otherwise, a reference to "lands and premises", "lands", "said lands", "mortgaged premises", "specified parcel" or any such similar reference shall include the specified parcel of lands identified by the specified parcel identifier referred to in the Form 15 mortgage into which these covenants are incorporated together with all the buildings and improvements thereon and all the rights, remedies, privileges and appurtenances thereto belonging or in anyway appertaining thereto and the reversions and remainders, rents, issues and profits thereof and all the estate, rights, title, property, claim and demand, both at law and in equity, of the mortgagor of, in, to or out of, and upon the said parcel and every part and parcel thereof.
45. In the event of any conflict between the provisions of this Optional Covenant and the Form 15 mortgage into which these covenants are incorporated, the provisions of this Optional Covenant shall, to the extent of the conflict, govern.