



Schedule "C"

FIRST NATIONAL FINANCIAL GP CORPORATION

OPTIONAL MORTGAGE COVENANTS AND CONDITIONS

Adjustable Rate Mortgage (Standard) (New Brunswick)

Land Titles Act, S.N.B. 1981, C. L-1.1, s.25

The following set of Optional Mortgage Covenants and Conditions 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.

CONVERSION OPTION

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 interest rate mortgage for any term then offered by the Mortgagee for a similar residential mortgage product, provided that the term chosen plus the already elapsed portion of the Term of the Mortgage is equal to or greater than the original Term of the Mortgage. 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 for that mortgage product 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 in effect as at the date of receipt of such written request.

Upon conversion, the prepayment provisions contained herein, if any, 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/modification agreement 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(s) and the Mortgagee shall be entitled to rely thereon whether or not an amending/modification agreement is executed.

PREPAYMENT PRIVILEGES

The Mortgagor, when not in default of any terms or conditions contained in the Mortgage, may do one or more of the following:

- (a) 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 the 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 (c) of this section.
- (b) Without notice or charge, on any Payment Date during the Term, make a prepayment of principal equal to, but not less than, the regular 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 (c) of this section.
- (c) At any time prior to the maturity of the Term of the Mortgage, prepay the whole of the Indebtedness then outstanding, upon payment to the Mortgagee of three (3) months interest, at the Interest Rate in effect at the time of prepayment.

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.