

THE REAL PROPERTY ACT (Manitoba)

SET OF STANDARD CHARGE MORTGAGE TERMS

REGISTERED BY: **FIRST NATIONAL FINANCIAL GP CORPORATION**

DEPOSIT REGISTRATION NO.: February 27, 2009

DEPOSIT REGISTRATION DATE: 3740352

NAME: **FIRST NATIONAL RESIDENTIAL - ADJUSTABLE RATE**

The following set of standard charge mortgage terms shall be deemed to be included in every mortgage in which the set is referred to by its Deposit registration number as provided in Section 96(7) of *The Real Property Act* (Manitoba), C.C.S.M. c. R. 30, as amended, except to the extent that the provisions of these terms are modified by any additions, amendments or deletions provided for or stipulated in such mortgage, or in any schedule(s) annexed thereto.

1. DEFINITIONS

In this set of Standard Charge Mortgage Terms the following words shall have the following meanings.

"Applicable Laws" means all applicable federal, provincial and municipal laws, statutes, regulations, rules, by-laws, policies and guidelines, orders, permits, licences, authorizations, approvals and all common laws or equitable principles whether now or hereafter in force and effect.

"Balance Due Date" means the date identified or described as such on the Mortgage Form, as the same may be amended by written agreement.

"Change of Control" has the meaning ascribed thereto in Section 15.

"CMHC" means Canada Mortgage and Housing Corporation and its successors and assigns.

"Commitment" means the written agreement to make and to accept the Loan entered into between First National Financial LP as lender and the Mortgagor prior to the execution of this Mortgage and includes any written communication between the parties renewing, extending or amending the terms of the Loan or any of the Loan Documents, together with all other renewals, extensions or amendments thereof from time to time.

"Default" has the meaning ascribed to such term in Section 20.

"Environmental Laws" means all Applicable Laws relating to environmental or occupational health and safety matters, including those relating to the presence, release, reporting, licensing, permitting, investigation, disposal, storage, use, remediation, clean up or any other aspect, of a Hazardous Substance.

"Environmental Proceeding" means any investigation, action, proceeding, conviction, fine, judgment, notice, order, claim, directive, permit, licence, approval, agreement or lien of any nature or kind arising under or relating to Environmental Laws.

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"First Payment Date" means the date identified or described as such on the Mortgage Form, as the same may be amended by written agreement, or if not so identified or described, the day that is one month from the Interest Adjustment Date.

"Guarantor" means each guarantor or co-covenantor with the Mortgagor described on the Mortgage Form or in any other Loan Document.

"Hazardous Substance" means any substance or material that is prohibited, controlled, otherwise regulated by any governmental authority or is otherwise hazardous in fact, including without limitation, contaminants, pollutants, asbestos, lead, urea formaldehyde foam insulation, polychlorinated biphenyls or hydrocarbon products, any materials containing same or derivatives thereof, explosives, radioactive substances, petroleum and associated products, underground storage tanks, dangerous or toxic substances or materials, controlled products and hazardous wastes.

"Indebtedness" means the outstanding Principal Amount, interest, costs and all other amounts payable by the Mortgagor to the Mortgagee under this Mortgage and the other Loan Documents.

"Interest Adjustment Date" means the date identified or described as such on the Mortgage Form, as the same may be amended by written agreement.

"Interest Rate" means the interest rate as described and defined in Section 3 hereof, as such interest rate may be amended from time to time by written agreement.

"Last Payment Date" means the date identified or described as such on the Mortgage Form, as the same may be amended by written agreement.

"Loan" means the particular loan or credit facility which this Mortgage is intended to secure.

"Loan Documents" means collectively, the Commitment, this Mortgage and all other agreements, documents and instruments relating to the Loan as amended, supplemented and restated from time to time.

"Monthly Instalment" means a payment payable each month on the Payment Date in an amount calculated in accordance with this Mortgage.

"Mortgage" means collectively, the Mortgage Form, this set of Standard Charge Mortgage Terms, any Schedules attached to the Mortgage Form and all renewals, extensions or amendments thereof from time to time.

"Mortgage Form" means the form, stipulated by Applicable Laws, to which these Standard Charge Mortgage Terms are attached or incorporated by reference or election.

"Mortgagee" means the Person or Persons named on the Mortgage Form as mortgagee or chargee and includes any Person to which the Mortgagee transfers this Mortgage.

"Mortgagor" means the Person or Persons named on the Mortgage Form as mortgagor or chargor and any successor in title to such Person or Persons with respect to the Property.

"Payment Date" means that day of each and every month from and including the First Payment Date to and including the Balance Due Date which is a monthly anniversary of the Interest Adjustment Date.

"Person" means a natural person, corporation, partnership, limited partnership, trust, unincorporated organization or any other legally recognized entity.

"Prime Rate" means the annual rate of interest published from time to time by First National Financial LP as a reference rate of interest then in effect for determining interest on Canadian dollar loans made in Canada.

"Principal Amount" means the principal amount of the Loan in lawful money of Canada set out on the Mortgage Form.

"Property" means the real property legally described on the Mortgage Form or in a Schedule to the Mortgage Form, if required, and includes all buildings, structures and improvements now or hereafter brought or erected thereon and all fixtures, rents and other appurtenances thereto. In the case of a strata lot or condominium, "Property" shall also include the Mortgagor's interest in the common elements and any other interests of the Mortgagor in the assets of the strata corporation or condominium corporation.

"Receiver" means a receiver, a manager, a receiver and manager or other similar Person appointed in regard to the Property and the rents and profits of and from such Property, which receiver may be an officer or officers or an employee or employees of the Mortgagee.

"Registry Office" means the appropriate registry of deeds, land titles or other land registration office from time to time established under Applicable Laws for the registration, filing or similar recording of this Mortgage.

"Schedule" means any document or schedule (except these Standard Charge Mortgage Terms) attached to and forming part of this Mortgage.

"Tax Account" has the meaning ascribed thereto in Section 7.

"Taxes" means all taxes, rates and assessments payable with respect to the Property whether provincial, municipal, school, local, parliamentary or otherwise, including, without limitation, municipal and school taxes, water rates and religious assessments, general or special.

"Term" means the period of time commencing with the Interest Adjustment Date and ending on the Balance Due Date, as the same may be amended by written agreement.

2. SECURITY

Continuing Security. In return for the making of the Loan to the Mortgagor:

- (a) the Mortgagor hereby grants, mortgages and charges all of his right, title, estate and interest in and to the Property to the Mortgagee as continuing security for the payment of the Indebtedness and performance of all obligations of the Mortgagor contained in this Mortgage and the other Loan Documents; and
- (b) if the Mortgagor is a tenant or lessee of the Property under a lease, the Mortgagor hereby grants, mortgages, charges, assigns and subleases all of his right, title and interest (including any present or future option or right of first refusal or right to renew or extend any term of the Mortgagor's lease) in and to the Property and to the lease, for the unexpired residue of the term of the lease, including any renewals or extensions of the term (excepting always, in all cases, the last day of such original or renewed or extended term).

Subsequent Interests. By this Mortgage, the Mortgagor grants and mortgages any additional or greater interest in the Property that the Mortgagor may later acquire.

No Discharge of other Loan Documents. By entering into this Mortgage, the Mortgagor and Mortgagee do not intend that any other Loan Document is to be extinguished, superceded or discharged.

No Prejudice to Other Security. The Mortgagee may take guarantees and other security from other Persons, or grant time, renewals, extensions, indulgences, releases and discharges to the Mortgagor and other Persons, relating to the Indebtedness or the obligations secured by this Mortgage, without prejudicing or diminishing any of the rights and remedies of the Mortgagee under this Mortgage or the other Loan Documents.

Discharge. Upon the total repayment of all Indebtedness under this Mortgage, the Mortgagee shall have a reasonable period of time of at least 6 weeks, or such shorter period as required under Applicable Laws, to cause the preparation and delivery of the discharge of this Mortgage.

3. INTEREST RATE AND MONTHLY INSTALMENTS

Interest Chargeable. Interest is chargeable on and forms part of the Indebtedness and is payable by the Mortgagor at the Interest Rate, calculated semi-annually and not in advance, in accordance with the terms of this Mortgage and the other Loan Documents.

Determination of Interest Rate. The Indebtedness shall bear interest at a rate which will vary during the Term, without notice to the Mortgagor, in tandem with variances in the Prime Rate 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, plus or minus such percentage, if any, as may be indicated on the Mortgage Form (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.

Monthly Instalments. The Monthly Instalment shall consist of blended principal and interest in an amount designed to effect payment in full of the Loan by the end of the amortization period thereof. When the Interest Rate changes, the amount of the Monthly Instalment shall be recalculated by the Mortgagee, so that the then outstanding Principal Amount shall be repaid over the remainder of the amortization period of the Loan. The remainder of the amortization period shall be equal to the original amortization period less the number of months that have elapsed since the Interest Adjustment Date.

Notice of Change in the Interest Rate. 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 amount of the new Monthly Instalment. The Interest Rate will still vary and the Monthly Instalment change even if the Mortgagee fails to send such notice or the Mortgagor fails to receive it.

Calculation of Interest.

- (a) Interest shall be payable on the Indebtedness both before and after default, maturity, acceleration and judgment until the Indebtedness has been repaid in full.
- (b) In case default shall be made in payment of any sum to become due for interest at any time appointed for payment thereof, compound interest shall be payable and the sum in arrears for interest from time to time, as well after as before maturity, and both before and after default and judgment, shall bear interest at the Interest Rate. If the interest and compound interest are not paid within six (6) months from the time of default, a rest shall be made and compound interest at the Interest Rate shall be payable on the aggregate amount then due as well after as before maturity and so on from time to time, and all such interest and compound interest shall form part of the Indebtedness and be secured by this Mortgage.

Maximum Rate of Interest. If the Interest Rate exceeds the maximum rate permitted under Applicable Laws, then, notwithstanding the terms of any Loan Document, the Interest Rate shall be deemed to be such maximum rate.

4. **REPAYMENT OF THE LOAN**

Repayment of Indebtedness. The Mortgagor will pay to the Mortgagee all Indebtedness secured hereby in the manner provided in this Mortgage and the other Loan Documents, without any deduction, abatement, counterclaim or set-off (legal or equitable) of any kind whatsoever and shall do, observe, perform and fulfill all the provisions, covenants, agreements and stipulations contained in this Mortgage and the other Loan Documents.

Monthly Instalments. From and after the Interest Adjustment Date, the Mortgagor shall pay the Mortgagee the Principal Amount together with all interest thereon at the Interest Rate calculated semi-annually and not in advance and computed from the Interest Adjustment Date, in Monthly Instalments calculated in accordance with Section 3 above commencing on the First Payment Date and thereafter on each Payment Date to and including the Balance Due Date, at which time the balance of the Principal Amount, if any, and the interest thereon shall become due and be paid.

Interest Payable Prior to Interest Adjustment Date. The Mortgagor shall pay simple interest on advances, if any, computed from the respective dates of such advances up to the Interest Adjustment Date at the Interest Rate but calculated daily rather than semi-annually. Such payments of interest shall be made on the first day of each and every month commencing with the month next following the month in which the first advance is made and continuing to and including the Interest Adjustment Date.

Prepayments. This Mortgage cannot be prepaid in whole or in part except as otherwise expressly permitted under this Mortgage.

Timing of Receipt of Payments. All payments received by the Mortgagee from the Mortgagor or any other Person after 3 p.m. (Eastern Standard Time) or on a Saturday, Sunday or statutory holiday will be deemed to be received on the next business day.

5. **APPLICATION OF MONTHLY INSTALMENTS**

Application of Monthly Instalments. Each Monthly Instalment will be applied first, to pay or reduce interest calculated as provided above on the Principal Amount from time to time outstanding and the balance shall then be applied to reduce the Principal Amount. However, if the Mortgagor is in default under this Mortgage or any other Loan Document, the Mortgagee shall be entitled to apply the Monthly Instalments or any other money received by the Mortgagee on account of the Indebtedness towards any part or parts of the Indebtedness at the Mortgagee's discretion.

Annual Mortgage Statement. Each year the Mortgagor will receive from the Mortgagee an annual mortgage statement that will show the total amount of the Monthly Instalments that have been applied as aforesaid in the previous year. The Mortgagor may obtain free of charge, from the Mortgagee, a statement of the Indebtedness secured by this Mortgage once every twelve months, or as needed to pay off or sell.

6. **REPRESENTATIONS AND WARRANTIES**

The Mortgagor represents and warrants to the Mortgagee:

- (a) that the Property is free of all Taxes, same having been paid to date without subrogation in favour of any party;
- (b) that all the structures and improvements are erected entirely on the Property and that there are no structures or improvements encroaching over the Property's boundaries from neighbouring lands;
- (c) that unless the Mortgage indicates that he is the tenant or lessee of the Property, the Mortgagor is the absolute freehold owner of the Property with good title thereto and that there are no charges, mortgages, liens or other encumbrances, other than those hereby created, affecting the Property except for any liens and encumbrances that are registered against title to the Property in the applicable Registry Office at the time the Mortgagor signed this Mortgage; and
- (d) that the Mortgagor has the right to grant this Mortgage to the Mortgagee.

7. **TAXES**

Tax Account. The Mortgagor shall pay all Taxes promptly when due. If required by the Mortgagee, the Mortgagor will pay to the Mortgagee monthly, an amount which, in the opinion of the Mortgagee, is sufficient to enable the Mortgagee to pay the annual Taxes on behalf of the Mortgagor by the date the first instalment of Taxes for each year becomes due, based on the estimated annual Taxes and subject to adjustment based on Taxes actually levied. Such funds, when received by the Mortgagee, are herein referred to as the "**Tax Account**". The Mortgagee may, at its option, withhold a sufficient amount from the advance of the Loan to accumulate sufficient funds in the Tax Account to enable the foregoing. If at any time the amount in the Tax Account is not sufficient to pay all Taxes when due the Mortgagor shall promptly make up the

difference on demand. The Mortgagee shall be under no obligation to pay any Taxes or instalments thereof and will not be liable for any damages or penalties that might result from its failure to do so. It is the responsibility of the Mortgagor to assure himself of the payment of Taxes by either himself or the Mortgagee. The Mortgagee shall not be deemed a trustee for the Mortgagor in respect of the Tax Account. If the Mortgagor is in default of its obligations hereunder, the Mortgagee has the right to use the Tax Account to repay all or any portion of the Indebtedness.

Administration by Mortgagee. Where the Mortgagee administers a Tax Account on behalf of the Mortgagor:

- (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 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.

8. INSURANCE

Property Insurance. To secure the repayment of the Indebtedness, the Mortgagor shall have all the buildings and other constructions now or hereafter erected upon the Property (hereinafter in this Section collectively referred to as the “**buildings**”) insured at their full replacement cost against loss or damage caused by fire and such other perils as are covered by standard extended coverage, both during and after construction, until such time as the Mortgagee is fully repaid all Indebtedness. If the Mortgagee so requires, the Mortgagor shall be further insured during said period against the risks of vandalism, floods, boiler explosions and any other risks designated by the Mortgagee from time to time, as well as against civil liability. If the Property generates rentals or revenues, the Mortgagor shall also maintain rental insurance in an amount equal to at least 12 months rental income. Prior to any disbursements whatsoever, the Mortgagor shall deliver to the Mortgagee certificates evidencing such insurance and if required by the Mortgagee, certified copies of the policies, and at least fifteen (15) days prior to their expiry he shall deliver proof of new policies or renewal of the existing policies. If said expiry results from the cancellation of said policies, the time allowed will be only five (5) days. The Mortgagee may, if it so desires, retain all policies in its possession. In any event, the insurer, and the terms of the insurance policies and their renewals, including the amount of any deductibles, shall be approved by the Mortgagee and the policies shall include the mortgage clauses approved by the Insurance Bureau of Canada confirming that loss proceeds are payable to the Mortgagee and that the Mortgagee has the right to receive and to have a lien on the loss proceeds in accordance with its priority established under this Mortgage. The Mortgagor hereby assigns to the Mortgagee all amounts payable under any of these policies. All such policies shall contain an undertaking by the insurer to notify the Mortgagee in writing of any material change in, cancellation of, failure to renew or termination of such policy at least fifteen (15) days prior thereto. The insurance policies shall not contain a co-insurance clause. Upon the failure of the Mortgagor to fulfil these insurance obligations, the Mortgagee may, without prejudice to its other recourses and without notice or demand, effect such insurance contracts as it deems appropriate at the cost of the Mortgagor to be paid forthwith by the Mortgagor, failing which it shall be added to the Indebtedness and shall bear interest from the date paid by the Mortgagee at the Interest Rate until repaid and shall be secured by this Mortgage. In the event of loss or damage to the buildings, the Mortgagor shall promptly notify the Mortgagee and provide the Mortgagee with a copy of the detailed statement of damages as well as evidence that said statement has been sent to each of the insurers. The Mortgagor shall allow the Mortgagee to inspect the buildings. The Mortgagee may receive the insurance proceeds without the intervention or consent of the Mortgagor.

Insurance Proceeds. The Mortgagor shall remit to the Mortgagee forthwith any amount received by him from an insurer pursuant to an insurance contract described in this Section 8, up to the amount of the Indebtedness. The Mortgagee will have the right, at its sole discretion, to apply any proceeds of insurance wholly or in part to the following purposes:

- (a) to pay wholly or in part Taxes or any other indebtedness secured by charges or other encumbrances which have priority over the Indebtedness or this Mortgage; and/or
- (b) to reconstruct or repair the damaged buildings and pay for the work and materials relative thereto; and/or
- (c) to pay wholly or in part the Indebtedness secured hereby, whether or not then due including any amount the Mortgagor would have been required to pay upon a prepayment of the Indebtedness on such date in accordance with the terms of this Mortgage.

Mortgagee to Consent to Repair. No construction or repair work may be undertaken without the prior written consent of the Mortgagee. It is clearly understood, however, that by consenting to the Mortgagor effecting any reconstruction or repair the Mortgagee is in no way obligated to pay the costs thereof nor prevented from using all or part of said proceeds to pay the Indebtedness or any part thereof or to pay any other party whose security interest ranks prior to its own. The Mortgagee may, at its option, undertake any such reconstruction or repair of the damaged buildings. Any proceeds applied to pay all or any part of the Indebtedness shall only be regarded as being so applied when the Mortgagee has decided to so apply them.

9. **MAINTENANCE AND REPAIR**

The Mortgagor shall maintain the Property in a good state of maintenance and repair as would a prudent owner, and in compliance with all Applicable Laws. The Mortgagor may not alter or demolish or allow any other party to alter or demolish the Property without the prior written consent of the Mortgagee. The Mortgagee or any Person designated by the Mortgagee shall be at liberty to inspect the interior or the exterior of the Property and/or to conduct a site assessment or investigation to determine if there has been a breach of any Applicable Laws, including, without limitation, any Applicable Laws concerning environmental protection. The Mortgagor shall pay the cost of any such inspection or site assessment to the Mortgagee promptly upon demand, failing which it shall be added to the Indebtedness and shall bear interest from the date paid by the Mortgagee at the Interest Rate until repaid and shall be secured by this Mortgage. The exercise of any of the powers enumerated in this section shall not result in the Mortgagee or any designee conducting such inspection, assessment or investigation being deemed to be in possession, management or control of the Property.

10. **COMPLIANCE WITH APPLICABLE LAWS**

The Mortgagor shall comply with all Applicable Laws that apply to the Property or the use or occupation thereof, including, without limitation, those relating to zoning, land use, health, safety and environmental protection. The Mortgagor shall not, and shall not permit any lessee of the Property, to engage in any criminal activity on the Property including, without limitation, the cultivation or processing of marijuana or any other controlled substance.

11. **USE OF PROPERTY**

The Mortgagor shall not change or permit any change in the use of the Property nor will the Mortgagor request or support any rezoning of the Property (or any portion thereof) without the prior written consent of the Mortgagee.

12. **FIXTURES**

The Mortgagor covenants and agrees with the Mortgagee that all erections and improvements fixed or otherwise now on or in future put upon the Property which are the property of the Mortgagor, including, without limitation, all fences, 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, dishwashers, washing machines, dryers, and all apparatus and equipment appurtenant to any of the foregoing are and shall be, in addition to other fixtures thereon, fixtures and form part of the Property and shall be a portion of the security for the Indebtedness. The Mortgagor hereby charges and grants to the Mortgagee a security interest in all of the Mortgagor's right, title and interest in and to all such items as additional security for repayment of the Indebtedness.

13. **OTHER ENCUMBRANCES**

The Mortgagor shall maintain the Property free and clear of and from any claim, charge, mortgage, lien or other encumbrance ranking prior to the mortgage created herein and shall cause the removal of any such prior claim or mortgage within ten (10) days of its creation, unless the Mortgagor, in good faith, contests its validity or the amount of the claim from which it results, after having given prior notice to the Mortgagee of his intention to such effect, and has deposited with the Mortgagee an amount in lawful money of Canada which shall be sufficient to guarantee all losses which the Mortgagee may suffer by reason of such claim, charge, mortgage, lien or encumbrance. The Mortgagor shall not grant any rights in the Property without the prior consent in writing of the Mortgagee and shall maintain all Property free and clear of any claims, charges, mortgages, encumbrances, liens or rights other than those that are created under this Mortgage.

14. **MORTGAGEE'S RIGHT TO PERFORM**

The Mortgagee may perform any obligation of the Mortgagor hereunder or under any other Loan Document which the Mortgagor fails to perform including without limitation, payment of all premiums of insurance and all Taxes, utility and heating charges and rents which shall from time to time fall due and be unpaid in respect of the Property, and may satisfy any lien, encumbrance, claim or other charge now or hereafter existing upon the Property. All amounts expended by the Mortgagee in so doing shall be added to the Indebtedness, shall be secured by this Mortgage, shall be payable forthwith by the Mortgagor to the Mortgagee and shall bear interest from the date so paid by the Mortgagee at the Interest Rate until repaid.

15. **ASSUMPTION OF MORTGAGE**

Requirements for Assumption. The Mortgagee shall allow a purchaser of the Property to assume the Mortgage from the current Mortgagor provided the purchaser completes a new mortgage loan application, is approved by the Mortgagee in accordance with its then current underwriting practices and executes an assumption agreement in form and substance satisfactory to the Mortgagee.

Indebtedness May Become Due. 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 Property to a purchaser, grantee or transferee not approved in writing by the Mortgagee; or
- (b) such purchaser, grantee or transferee failing to:
 - (i) apply for and receive the Mortgagee's written approval as aforesaid,
 - (ii) personally assume all the obligations of the Mortgagor under this Mortgage, and
 - (iii) execute an assumption agreement in the form required by the Mortgagee; or
- (c) in the case of a corporate Mortgagor, the occurrence of a change of control (within the meaning given to such term in the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended from time to time) (a "**Change of Control**") of the Mortgagor not approved in writing by the Mortgagee,

then, at the option of the Mortgagee, the Indebtedness, together with the amount required to be paid on a prepayment of the Mortgage on such date pursuant to the terms of this Mortgage, shall forthwith become due and payable.

16. **NO RELEASE**

Notwithstanding that the Mortgagee may have approved any purchaser, grantee or transferee and that such Person may have executed an assumption agreement, or that the Mortgagor transfers or otherwise conveys or purports to transfer or otherwise convey the Property or any interest therein, the Mortgagor shall not thereby be released from his obligations under this Mortgage or any other Loan Document unless the Mortgagee has so released the Mortgagor in writing or the Mortgagor is otherwise released pursuant to Applicable Laws.

17. **PORTABILITY OF MORTGAGE**

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 contained in 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 which the Mortgagor will occupy;
- (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;
- (d) the new loan application is approved by the Mortgagee in its sole discretion;
- (e) the new mortgage is registered as a first mortgage against the title to the Replacement Property and all searches, opinions and clearances required by the Mortgagee are obtained and, if so required by the Mortgagee, title insurance is in place;
- (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 and other 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 and discharge of this Mortgage, or, if applicable, an amending agreement, including, without limitation, any application and appraisal fees, solicitor's fees, surveyor's fees and, if applicable, mortgage insurance and title insurance premiums.

18. **LEASES AND RENTALS**

Where the Property generates rentals or revenues the following provisions shall apply.

- (a) As general and continuing security for repayment of the Indebtedness, the Mortgagor hereby assigns, transfers and sets over to the Mortgagee, as and by way of a fixed and specific assignment and security interest, all legal and beneficial right, title and interest of the Mortgagor in and to (i) all present and future leases, offers to lease, subleases, licences and other agreements affecting the use, enjoyment and/or occupancy of the Property or any part thereof and all related guarantees, indemnities and security deposits, and (ii) any and all rents, revenues and receipts of any kind from the Property now or hereafter due and payable, with full benefit and advantage thereof, including the benefit of all covenants and agreements contained in the leases and full power and authority to demand, collect, sue for, recover, receive and give receipts for the rents in the name of the Mortgagor or owner from time to time of the Property or in the name of the Mortgagee, in the Mortgagee's sole discretion.
- (b) Upon request by the Mortgagee, the Mortgagor shall provide to the Mortgagee (i) a list containing the name of all tenants, and details as to their leases; (ii) a copy (or the original, when requested by the Mortgagee) of all leases, present and future, relating to the Property and any document and any useful information in connection therewith; and (iii) a written acknowledgment by the tenants, present and future, of the charge on rentals hereby created in the form required by the Mortgagee.
- (c) The Mortgagee may require that all leases be subject to its approval, that they be subordinated to its rights herein and that the Mortgagor provide it on a yearly basis with a statement of revenues and expenditures concerning the Property. All leases shall be on market terms and conditions.
- (d) The Mortgagee hereby authorizes the Mortgagor to collect all rents; however, the Mortgagor shall not collect more than one month's rent in advance nor shall he grant more than one month's free rent. Such authorization may be revoked at any time by the Mortgagee and in such case, the Mortgagee shall be at liberty to exercise as it may deem appropriate, to the exclusion of the Mortgagor, all rights of the Mortgagor in order to maintain, renew, grant, modify or terminate any lease, and to collect rentals and revenues

from the Property including, without limitation, the bringing of an action for recovery of rentals; provided however, that the Mortgagee shall be under no obligation to exercise such right and shall not be liable for any loss or damage which may result from its failure to collect such rentals.

- (e) With respect to leases of the Property, the Mortgagor hereby represents and warrants that the rents payable under same are legal, that no proceedings exist which could result in a decrease in the legal rents chargeable, that no orders exist prohibiting rent increases and that no work orders exist which could result in the issuance of an order prohibiting rent increases.
- (f) The Mortgagor hereby agrees to indemnify and save the Mortgagee harmless from any and all demands, claims, damages, actions, proceedings, lawsuits, costs, expenses or payments which the Mortgagee may sustain or incur by reason of the Mortgagor's failure to charge legal rents or by reason of successful reduction claims by any tenant under any lease in the building on the Property or by any former tenant of the building. The Mortgagor agrees that all rents charged with respect to the Property or any part thereof will be lawful rents pursuant to any applicable legislation from time to time respecting residential housing and further agrees that he will file all items required to be filed by such legislation in a timely, accurate and complete way. All amounts so indemnified will be payable forthwith upon demand, shall be added to the Indebtedness, shall bear interest at the Interest Rate from the date of the expenditure until paid in full and shall be secured by this Mortgage. This indemnity shall survive the exercise of any rights and remedies of the Mortgagee hereunder including foreclosure and shall survive the repayment of the Indebtedness and/or the discharge of this Mortgage.

19. ENVIRONMENTAL MATTERS

Mortgagor to Indemnify. The Mortgagor shall indemnify and save the Mortgagee harmless from and against all actions, proceedings, losses, damages, liabilities, claims, demands, judgments, costs and expenses (including legal fees) (collectively "**Environmental Claims**") occurring, imposed on, made against or incurred by the Mortgagee arising from or relating to, directly or indirectly, and whether or not caused by the Mortgagor or within its control, (a) any actual or alleged breach of Environmental Laws relating to or affecting the Property; (b) the actual or alleged presence, release, discharge or disposition of any Hazardous Substance in, on, over, under, from or affecting all or part of the Property or surrounding lands, including any personal injury or property damage arising therefrom; (c) any actual or threatened Environmental Proceeding affecting the Property including any settlement thereof; and (d) any assessment, investigation, containment, monitoring, remediation and/or removal of any Hazardous Substances from all or part of the Property or surrounding areas or otherwise complying with Environmental Laws. This indemnity shall survive the exercise of any rights and remedies of the Mortgagee hereunder including foreclosure and shall survive the repayment of the Indebtedness and/or the discharge of this Mortgage.

Amounts Relating to Environmental Claims. All amounts expended by the Mortgagee in connection with any such Environmental Claims shall be payable by the Mortgagor forthwith upon demand, shall be added to the Indebtedness, shall bear interest at the Interest Rate from the date expended until paid in full and shall be secured by this Mortgage.

20. EVENTS OF DEFAULT

The Mortgagor shall be in default (a "**Default**") under this Mortgage in each of the following events:

- (a) the Mortgagor fails to pay any monies payable under this Mortgage or under any other Loan Document when due;
- (b) the Mortgagor fails to perform any of its covenants or obligations under this Mortgage or under any other Loan Document;
- (c) the Mortgagor fails to comply with any other term or condition of this Mortgage or any other Loan Document;

- (d) any of the representations, statements, certifications or declarations of the Mortgagor, whether contained in this Mortgage or any other Loan Document, is found to be untrue or misleading;
- (e) if any other mortgage or any lien, charge or other encumbrance is registered against title to the Property or if the Mortgagee receives written notice of any lien that is created as a result of unpaid property taxes, unpaid strata or condominium fees, judgments, construction liens, builders' liens or similar encumbrances;
- (f) the Mortgagor becomes insolvent or becomes subject to any insolvency, bankruptcy, reorganization, arrangement, compromise of debts or similar proceedings affecting the rights of any creditor, or a petition in bankruptcy is taken against the Mortgagor, or a receiver or an administrator takes possession of his property, or a resolution is adopted with respect to the liquidation of his property;
- (g) in the case of a corporate Mortgagor, it fails to remain in good standing with government authorities having jurisdiction over it or if the corporation loses any of its rights or attributes as a corporation;
- (h) in the case of a corporate Mortgagor, there is a Change of Control of the Mortgagor without the prior written consent of the Mortgagee;
- (i) any activity which violates the *Criminal Code*, R.S.C. 1985, c. C-46 (as amended from time to time) or any other law or regulation of any authority having jurisdiction is conducted on the Property;
- (j) if the Loan is insured, whether under the *National Housing Act*, R.S.C. 1985, c. N-11 (as amended from time to time) or by any other insurer, any requirement of such insurance has not been complied with by the Mortgagor;
- (k) if the Property is under construction, the construction works are halted for a continuous period exceeding ten (10) days, for reasons other than a fortuitous event or force majeure or construction holidays;
- (l) if a default occurs under any other mortgage or any lien, charge or encumbrance affecting the Property or any part of it including without limitation, any of the foregoing which has priority over this Mortgage and whether or not the Mortgagee has agreed to such priority;
- (m) the Property is subject to foreclosure proceedings, judicial sale, or otherwise seized by another mortgagee, encumbrancer, writ holder, receiver or any agent of the any of the foregoing or any other Person performing similar functions; or
- (n) an event occurs which is stated to be a Default under Section 25 of this Mortgage.

21. MORTGAGEE'S REMEDIES UPON DEFAULT

Mortgagee's Rights on Default. If a Default occurs, the Mortgagee shall have no obligation to make any further advances and may, at its option, do any one or more of the following:

- (a) demand immediate repayment of the Indebtedness, in which case all Indebtedness will become immediately due and payable and, to the extent permissible under Applicable Laws, the prepayment provisions set out in this Mortgage will apply as if the Mortgagor had elected to prepay the Indebtedness at such time;
- (b) subject to Applicable Laws, take such action as is necessary or desirable to collect the Indebtedness or any portion thereof;
- (c) enter upon and take possession of the Property and any personal property thereon;
- (d) make any arrangements the Mortgagee considers necessary or advantageous to inspect, lease, collect rents or manage the Property, complete construction of any building on the Property or repair any building on the Property;

- (e) take proceedings in court or otherwise as may be permitted by Applicable Laws to sell the Property or any part thereof or, if the Property is a leasehold interest, to sell the unexpired term of years demised by the lease with respect to the whole or any part of the leasehold interest in the Property, by public auction or private sale and on such terms as the Mortgagee considers most advantageous, including selling the Property or unexpired term of the lease for cash or credit or any combination of the two:
 - (i) on thirty-five days notice (or such longer period or other period of notice as may be required by Applicable Laws) to the Mortgagor if the Default has continued for fifteen days (or such longer or other period as may be required by Applicable Laws); or
 - (ii) without notice to the Mortgagor if the Default has continued for sixty days or more (if and to the extent permitted by Applicable Laws);
- (f) lease the Property on such terms as the Mortgagee considers most advantageous:
 - (i) on fifteen days notice (or such longer period or other period of notice as may be required by Applicable Laws) to the Mortgagor if the Default has continued for fifteen days (or such longer or other period as may be required by Applicable Laws); or
 - (ii) without notice to the Mortgagor if the Default has continued for thirty days or more (if and to the extent permitted by Applicable Laws);
- (g) apply to a Court for an order that the Property be sold on terms approved by the Court;
- (h) apply to a Court to foreclose the Mortgagor's interest in the Property so that when the Court makes its final order of foreclosure, the Mortgagor's interest in the Property will be absolutely vested in and belong to the Mortgagee;
- (i) apply to the Court to have a Receiver appointed with respect to the Property or appoint a Receiver of the Property under this Mortgage;
- (j) with respect to personal property charged by this Mortgage, exercise any or all of the rights and remedies granted to secured parties under applicable personal property security legislation and any other applicable statute, or otherwise available to the Mortgagee at law or in equity; and
- (k) take any other action and exercise any other remedies which are described elsewhere in this Mortgage or the other Loan Documents or which are available to the Mortgagee under Applicable Laws upon a default by the Mortgagor, including, without limitation, non-judicial foreclosure.

Additional Payments. Where a prepayment or redemption takes place following a Default hereunder by the Mortgagor, there shall, coincident therewith, be due and owing to the Mortgagee, to the extent permissible under Applicable Laws, any amount which would have been payable by the Mortgagor had he elected to prepay the Indebtedness pursuant to the prepayment provisions set out in this Mortgage at the time of such prepayment or redemption.

Payment of Mortgagee's Costs When Default is Remedied. If the Mortgagor avails himself of the right to remedy any Default, he shall pay all costs then incurred by the Mortgagee, and such costs shall include, without limitation, all administrative costs incurred by the Mortgagee by reason of the Default and all legal fees (determined on a solicitor and client full indemnity basis) and fees paid to experts.

Mortgagee's Rights to Administer and Manage Property. If the Mortgagee elects to take possession of the Property, it shall be at liberty to administer and manage it and hire a manager or caretaker, use all means at its disposal in order to enter into the Property with or without a locksmith, contract or renew leases or terminate them, in the name of the Mortgagor, for the amounts and upon terms and conditions, including, without limitation, the payment of tenant inducements, which the Mortgagee shall consider appropriate, maintain the Property in good condition, carry out repairs and renovations and undertake or complete any work, all at the

Mortgagor's expense. The Mortgagor agrees that he will not interfere with the Mortgagee's or any Receiver's possession of the Property.

Accounting for Monies Received. The Mortgagee shall only be required to account to the Mortgagor for any monies actually received by the Mortgagee in connection with the Property.

Payment of Mortgagee's Costs and Expenses. To the maximum extent permitted by Applicable Laws, all sums disbursed by the Mortgagee in enforcing any of its remedies or in connection with the protection, enforcement or realization of its security, including, without limitation, legal fees, realtor's fees, fees incurred in relation to any inspection or valuation of the Property, protective disbursements, fees and expenses incurred in connection with taking such steps as are deemed necessary by the Mortgagee to protect its interests in proceedings commenced by other Persons in relation to the Property and any sums expended in connection with actions taken under Section 21 hereof, shall be repayable by the Mortgagor on demand, shall be added to the Indebtedness, shall bear interest at the Interest Rate from the date funds were expended by the Mortgagee and shall be secured by this Mortgage.

22. JUDGMENTS AND DEFICIENCY

Mortgagee's Rights After Judgment. If a judgment is obtained from a Court concerning some or all of the Indebtedness or obligations, the remaining Indebtedness or obligations will not be extinguished, superceded or discharged nor will the Mortgagee be prevented from exercising any of its remaining rights under this Mortgage, any other Loan Document or under Applicable Laws.

Deficiency After Sale. To the maximum extent permitted by Applicable Laws, the Mortgagor shall remain liable for payment to the Mortgagee of all of the Indebtedness, notwithstanding that the Mortgagee may have exercised one or more of its remedies under this Mortgage including, without limitation, sale of the Property.

23. APPOINTMENT OF RECEIVER

Appointment of Receiver. Upon Default, the Mortgagee or the Mortgagee as agent or attorney for the Mortgagor (with such appointment not being revocable by the Mortgagor), with or without entering into possession of the Property or any part thereof, may appoint in writing a Receiver and may remove any such Receiver and appoint a new Receiver in the place and stead of any previously appointed Receiver.

Powers of Receiver. Subject to Applicable Laws, the Receiver:

- (a) will be deemed to be the Mortgagor's irrevocable agent or attorney, vested with all rights, powers and discretions of the Mortgagor, and the Mortgagor will be solely responsible for the Receiver's acts or omissions and for the Receiver's remuneration and expenses;
- (b) has power, in the Mortgagor's name or in the name of the Mortgagee, to take possession of the Property, to demand, recover and receive income from the Property and to start and carry on any action or court proceeding to collect that income;
- (c) may lease or sublease the Property or any part of it on terms and conditions that the Receiver chooses, including without limitation, the payment of tenant inducements, and for that purpose execute contracts in the name of the Mortgagor, which contracts will be binding on the Mortgagor;
- (d) may make arrangements for the completion of the construction of or repair any improvement on the Property, notwithstanding that the resulting cost may exceed the Principal Amount;
- (e) may manage the Property and maintain it in good condition;
- (f) has the power to perform, in whole or in part, the Mortgagor's duties under the terms of the Loan Documents;
- (g) has the power to do anything that, in the Receiver's opinion, will maintain and preserve the Property or will increase or preserve the value or income potential of the Property; and

- (h) has the power to exercise any of the Mortgagee's rights and remedies referred to in Section 21 hereof.

Use of Income by Receiver. Neither the Receiver nor the Mortgagee shall be liable to the Mortgagor to account for monies other than monies actually received by it, in respect of the Property. From income received from the Property, the Receiver may, subject to Applicable Laws, in any order the Receiver chooses, (i) retain enough money to pay or recover the cost to collect the income and to cover other disbursements; (ii) retain its commission, fees and disbursements as receiver; (iii) pay all Taxes and the cost of maintaining the Property in good repair, completing the construction of any building or improvement on the Property, supplying goods, utilities and services to the Property, insuring the Property and taking steps to preserve the Property from damage by weather, vandalism or any other cause; (iv) pay any money for matters required to be paid by the Receiver under Applicable Laws, or that might, if not paid, result in a default under any mortgage or encumbrance having priority over this Mortgage or that might result in the sale of the Property if not paid; (v) pay taxes in connection with anything the Receiver is entitled to do under this Mortgage; (vi) pay all or part of the Indebtedness to the Mortgagee whether or not it is due and payable; and (vii) pay any other money owed by the Mortgagor under this Mortgage and the other Loan Documents.

Receiver May Borrow. The Receiver may borrow money for the purpose of doing anything the Receiver is authorized to do. Any money borrowed by the Receiver from the Mortgagee and any interest charged on that money and all the costs of borrowing will form part of the Indebtedness and will bear interest at the interest rate and shall be paid with the frequency provided under the applicable terms under which such money was borrowed.

Receiver's Costs and Expenses. The fees and disbursements of the Receiver, if paid by the Mortgagee, shall form part of the Indebtedness and will bear interest at the Interest Rate from the date paid by the Mortgagee and shall be secured by this Mortgage.

Mortgagee Not Responsible. Nothing done by the Receiver under this Section 23 shall render the Mortgagee a mortgagee in possession, and the Mortgagor hereby releases and discharges the Mortgagee and every Receiver and each of their respective successors and assigns from every claim of every nature, whether for damages for negligence or trespass or otherwise, which may arise or be caused to the Mortgagor or any Person claiming through or under the Mortgagor by reason or as a result of anything done by the Mortgagee or any Receiver under the provisions of this Mortgage. The Mortgagor hereby agrees to ratify and confirm all actions of any Receiver taken or made pursuant to this Mortgage and agrees that neither the Receiver, the Mortgagee nor their respective successors and assigns will be liable for any loss sustained by the Mortgagor or any other Person from such actions or failure to act.

24. LEASEHOLD PROVISIONS

This Section 24 applies if the Mortgagor is a tenant or lessee of the Property.

Definition. For the purposes of this Section 24, "Lease" means a lease or a sublease pursuant to which the Mortgagor has a leasehold interest in the Property.

Representations. The Mortgagor represents that:

- (a) the Property is leased to him under a valid Lease (a copy of which has been provided to the Mortgagee);
- (b) that the Mortgagor has a good leasehold title to the Property free and clear of all mortgages, liens, charges and encumbrances other than liens registered against the leasehold title to the Property in the applicable Registry Office at the time the Mortgagor signed this Mortgage;
- (c) all rents and other moneys payable under the Lease have been paid and the Mortgagor has complied with all of his obligations set out in the Lease, in both cases up to the date the Mortgagor signed this Mortgage; and
- (d) the Mortgagor has the right to charge and sublet the leasehold title to the Property to the Mortgagee as set out in this Mortgage and, if required, has obtained the lessor's

unconditional consent to this Mortgage (or if such consent has been issued under conditions, the Mortgagee has agreed to same, in writing) and any such consent is in writing and has been provided to the Mortgagee.

Covenants. The Mortgagor also covenants and agrees as follows:

- (a) that the Lease will at all times while this Mortgage is not discharged, be a valid lease in full force and effect;
- (b) the Mortgagor will not amend, surrender or modify the Lease without written consent of the Mortgagee and will pay the rents and other payments required by the Lease as they fall due and perform and observe the covenants and other obligations contained in the Lease on the lessee's part to be performed;
- (c) the Mortgagor will renew the Lease when the Lease gives the Mortgagor that right so that the term of the Lease will continue at all times while this Mortgage is not discharged;
- (d) the Mortgagor will promptly give the Mortgagee a copy of any notice, demand or request which the Mortgagor may receive relating to the Lease;
- (e) the Mortgagor will, at his cost, upon request by the Mortgagee, obtain and deliver to the Mortgagee estoppel certificates from the lessor under the Lease in form and content satisfactory to the Mortgagee;
- (f) the Mortgagor will sign any other document or take any further action as the Mortgagee may reasonably require, to ensure that all of the Mortgagor's interest in the Property and in the Lease have been fully charged to the Mortgagee and that the Indebtedness is adequately secured;
- (g) the Mortgagor shall indemnify the Mortgagee and its successors and assigns against all actions, claims, costs (including legal costs, and on a solicitor and client full indemnity basis), demands and liabilities which the Mortgagee and its successors and assigns may suffer or sustain by virtue of any default by the Mortgagor under the Lease, and the Mortgagor agrees that this indemnity shall survive the exercise of any rights and remedies of the Mortgagee hereunder including foreclosure and shall survive the repayment of the Indebtedness and/or the discharge of this Mortgage;
- (h) the Mortgagor will stand possessed of the Property for the last day of the term or any renewal term granted by the Lease in trust for the Mortgagee;
- (i) at the Mortgagee's request, the Mortgagor will transfer to the Mortgagee (or to any other Person to whom the Mortgagee transfers the Mortgagor's interest in the Property) the last day of the term of the Lease or of any renewal;
- (j) the Mortgagor hereby appoints the Mortgagee as his attorney so that the Mortgagee, on his behalf and in the name of the Mortgagor, may assign the Lease and the last day of the term of the Lease or of any renewal and convey the Mortgagor's interest in the Property as the Mortgagee may require to perfect any transfer made under the default provisions of this Mortgage; and
- (k) if the Mortgagor acquires the lessor's interest in the Property (whether by exercising any option to purchase there may be in the Lease or any renewal thereof or otherwise), this Mortgage will automatically extend to such interest and the Mortgagor agrees that at the Mortgagee's request the Mortgagor will deliver to the Mortgagee a new mortgage against such additionally acquired interest substantially on the same terms and conditions as those set forth in this Mortgage.

25. STRATA/CONDOMINIUM PROVISIONS

This Section 25 applies if the Property is or becomes a strata or condominium property created under Applicable Laws.

Compliance with Strata/Condominium Rules. The Mortgagor shall comply with all of the terms and conditions of the declaration pertaining to the Property as same may be amended from

time to time (the "**Declaration**") together with all rules, regulations and by-laws relating thereto as well as all orders and resolutions passed at meetings of the strata/condominium corporation (together with the Declaration, collectively, the "**Constituting Documents**").

Expenses and Taxes. The Mortgagor shall pay promptly when due his share of all common expenses, levies and administrative charges in the amounts determined by the board of directors of the strata corporation or condominium corporation (hereinafter the "**strata/condominium corporation**"); if any such payments are not made when due and regardless of any other action or proceeding taken or to be taken by the strata/condominium corporation, the Mortgagee may make such payments on behalf of the Mortgagor pursuant to Section 14 hereof.

Voting Rights. The Mortgagor authorizes the Mortgagee in the Mortgagor's name and on the Mortgagor's behalf, to exercise all rights under Applicable Laws and the Constituting Documents to vote at any meeting (or to vote otherwise than at any meeting) of the strata/condominium corporation, and to consent to anything having to do with the management, sale or other dealings with the Property or assets of the strata/condominium corporation. This authorization includes voting on or any consent to the termination of the strata/condominium corporation. Notwithstanding this authorization, the Mortgagee may choose not to vote or not to consent at any particular time or on any particular issue. Until the Mortgagee gives notice to the Mortgagor and/or the strata/condominium corporation that the Mortgagee intends to exercise its right to vote or consent, the Mortgagor may vote or consent. Any notice the Mortgagee gives may be for an indeterminate or limited period of time, or for a specific meeting or matter. The Mortgagee shall not be under any obligation to exercise such rights, even though notice may have been given of its intention to do so and shall not be liable to the Mortgagor or any other Person for the manner in which such rights are exercised or for the failure to exercise same.

Insurance.

- (a) At the request of the Mortgagee, the Mortgagor shall obtain and deliver to the Mortgagee a certificate of insurance issued under the master insurance policy placed by the strata/condominium corporation in accordance with the terms of the Declaration and showing the Mortgagee as mortgagee.
- (b) In addition to the insurance maintained by the strata/condominium corporation, the Mortgagor will insure all improvements which have been or at any future time are made to the dwelling unit charged herein and, as well, insure against such additional risks as may be required by the Mortgagee, will provide the Mortgagee with certified copies of every such insurance policy naming the Mortgagee as loss payee and, not less than 15 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. 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 Indebtedness whether or not yet due, in which latter case, to the extent permissible by Applicable Laws, the prepayment provisions set out in this Mortgage will apply as if the Mortgagor had elected to make a prepayment at such time. The obligation to insure the entire structure of which the Property forms part may be performed by the strata/condominium corporation and the proceeds of such insurance may be payable in accordance with the Constituting Documents related thereto. Upon the occurrence of loss or damage, the Mortgagor will fully comply with the terms of all insurance policies and with the insurance provisions of such Constituting Documents.

Notices and Other Documents. At the request of the Mortgagee, the Mortgagor will give the Mortgagee copies of all notices, financial statements and other documents given by the strata/condominium corporation to the Mortgagor.

Mortgagee May Require Payment. At the option of the Mortgagee, and subject to compliance with Applicable Laws, there is a Default if:

- (a) governance of the property of the strata/condominium corporation under the Constituting Documents is terminated or wound up;

- (b) a vote of the strata/condominium owners authorizes the sale of the property of the strata/condominium corporation or of a material part of its common property (or common elements);
- (c) the strata/condominium corporation fails to comply with Applicable Laws or the Constituting Documents;
- (d) the strata/condominium corporation fails to insure the strata/condominium units and common property (or common elements) against destruction or damage by fire and other perils usually insured against for full replacement cost; or
- (e) the strata/condominium corporation fails, in opinion of the Mortgagee, to manage its property and assets in a careful way or to maintain its assets in good repair.

Mortgagee Not Responsible. Nothing done by the Mortgagee or its agents under this Section 25 will make the Mortgagee a mortgagee in possession.

26. **EXPROPRIATION**

Prepayment of Indebtedness. In the event of a prepayment of all or any portion of the Indebtedness as a result of an expropriation of all or part of the Property, the prepayment provisions set out in this Mortgage will apply as if the Mortgagor had elected to make a prepayment of the amount prepaid at such time.

Expropriation of the Property. In the event of the expropriation of all or substantially all of the Property the Indebtedness will, at the option of the Mortgagee, become immediately due and payable together with any applicable prepayment charge. All amounts received by the Mortgagor in connection with such expropriation shall, to the extent of the Indebtedness and such prepayment charge, be paid to the Mortgagee and until so paid shall be deemed to be held by the Mortgagor in trust for the Mortgagee.

Partial Expropriation. In the event of the expropriation of only a portion of the Property, all amounts received by the Mortgagor in connection with such expropriation shall, at the option of the Mortgagee, be paid to the Mortgagee to be credited towards the Indebtedness and any applicable prepayment charge in respect of such amount. Until such amounts have been paid to the Mortgagee they shall be deemed to be held by the Mortgagor in trust for the Mortgagee. If the Mortgagee, in its sole discretion, is of the view that the remainder of the Property is inadequate security for the remainder of the Indebtedness, then the Mortgagee may declare all the Indebtedness together with any applicable prepayment charge immediately due and payable.

27. **ADVANCES AND READVANCES UNDER MORTGAGE**

Neither the preparation, execution nor registration of this Mortgage shall bind the Mortgagee to advance the Principal Amount intended to be secured hereby, nor shall the advance of a part of the Principal Amount bind the Mortgagee to advance any unadvanced portion thereof, but nevertheless the charges hereby created shall take effect forthwith upon the execution of this Mortgage by the Mortgagor. This Mortgage and the charges granted herein shall operate until all the Indebtedness is fully paid to the Mortgagee and all covenants of the Mortgagor herein have been performed in full, in each case in the manner contemplated herein and until the Mortgagee has delivered a complete discharge hereof in writing to the Mortgagor. This Mortgage shall not cease to operate although the Mortgagor may not be indebted to the Mortgagee at any time and the Mortgagee may accept repayment of all or a portion of the Indebtedness and may allow the Mortgagor to reborrow the amounts previously paid to the Mortgagee, and this Mortgage and the charges, mortgages, assignments, security interests and liens granted herein shall stand as security for all such amounts borrowed and reborrowed, whether or not the Indebtedness has at any time been reduced to zero.

28. **RENEWAL AND AMENDMENT OF MORTGAGE**

Registration of Agreements Not Required. Any agreement in writing between the Mortgagor and the Mortgagee after the date of this Mortgage, relating to the payment of the unpaid Indebtedness, or to the Interest Rate, or to both, or any other matter, need not be registered in any Registry Office. Such agreement shall be effective and binding on the Property and upon the

Mortgagor, the Mortgagee and upon any subsequent encumbrancer or transferee of the Property to the same extent and effect as if such agreement in writing had been executed, delivered and registered in the appropriate Registry Office prior to the making of such subsequent encumbrance or transfer.

No Implied Agreement. No agreement for renewal hereof or for extension of time for payment of the Indebtedness hereunder shall result from, or be implied from, any payment or payments of any kind whatsoever made by the Mortgagor to the Mortgagee after the expiration of the Term or of any subsequent term.

29. **PRINCIPAL FAMILY RESIDENCE**

Consent of Spouse. Any spouse who is signing the Mortgage Form consents to the granting of this Mortgage by the Mortgagor and releases to the Mortgagee any claim or interest that the spouse has or may have in the Property under Applicable Laws as far as such release is necessary to give effect to the Mortgagee's rights under this Mortgage.

Change in Marital Status. Upon any change or occurrence affecting any of the following namely:

- (a) the spousal status of the Mortgagor;
- (b) the qualification of the Property as a matrimonial home within the meaning of the *Marital Property Act* (Manitoba); or
- (c) the status of the Property as a homestead under the *Homestead Act* (Manitoba),

the Mortgagor shall forthwith advise the Mortgagee accordingly and furnish the Mortgagee with full particulars thereof with the intention being that the Mortgagee is to be kept fully informed of the names and addresses of the owner or owners for the time being of the Property and any spouse or former spouse who is not an owner but who has any rights in the said land by virtue of any of the aforementioned legislation.

30. **FEES PAYABLE BY MORTGAGOR**

Mortgagee's Fees and Expenses. The Mortgagor shall promptly pay all lawyers' and experts' fees related to this Mortgage and every renewal or amendment thereof, including, without limitation, fees related to any examination of title to the Property, as well as any costs of evaluation, any survey fees and any costs pertaining to mortgage insurance and/or title insurance, if applicable. The Mortgagor shall also pay any costs and expenses incurred by the Mortgagee in responding to any court actions, directives, orders, notices or requests for information brought against the Mortgagee as a result of or relating to this Mortgage.

Mortgagee's Administrative Fees. The Mortgagor shall also pay an administration fee to the Mortgagee for every dishonoured cheque or preauthorized cheque debit. The fee will automatically be debited to the Mortgagor's Tax Account balance, or sundry account, or added to the pre-authorized cheque debit upon reissue unless a separate payment of such administration fee is received with a replacement cheque. The Mortgagee also reserves the right to charge reasonable fees in accordance with industry standards 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. These fees may vary from time to time and will be published in the Mortgagee's schedule of fees, which may be obtained by the Mortgagor upon request.

31. **INSURED INDEBTEDNESS**

In the event that all or any portion of the Indebtedness is insured by a mortgage insurer in favour of the Mortgagee, the contractual relations between the Mortgagee and the mortgage insurer will be taken into account before effecting any disbursement of funds, or before acceptance of any purchaser or transferee of the Property can become valid, even if already accepted by the Mortgagee. If this Mortgage is insured by CMHC, it shall be deemed to be made pursuant to the *National Housing Act*, R.S.C. 1985, c. N-11 (as amended from time to time).

32. GENERAL CONDITIONS

Assignment. The Mortgagor may not assign or transfer the rights that he has or may have to any advance of the Loan without the prior written permission of the Mortgagee.

No Partial Discharge. The Mortgagor shall not be entitled to obtain a partial discharge of the Property in the event the Property is subdivided and sold notwithstanding that the Mortgagee has been paid the sale proceeds thereof.

Pre-Authorized Payments. The Mortgagor explicitly authorizes the Mortgagee to withdraw from any bank account in his name, details of which have been provided to the Mortgagee in accordance with a pre-authorized chequing plan, the sums necessary to satisfy the payments the Mortgagor must make by virtue of this Mortgage as well as the life insurance premiums related to same, if applicable.

Investment of Funds. The Mortgagee shall be at liberty to deposit any monies or instruments received or held by it pursuant to this Mortgage in a non-interest bearing account or invest them, without having to comply with any legal provisions concerning the investment of the property of others, in any certificate of deposit issued by an institution chosen by the Mortgagee, for any term which it may choose.

Limited Responsibility of Mortgagee. The Mortgagee is only liable to the Mortgagor or any Guarantor for the Mortgagee's or its employees' wilful misconduct or gross negligence.

Right to Delegate. The Mortgagee shall be at liberty to delegate to any Person or Persons the exercise of its rights, actions or the performance of any covenant resulting from this Mortgage or under Applicable Laws; in such case the Mortgagee is hereby authorized to supply such Person with any information it holds relating to the Mortgagor or the Property.

Power of Attorney. In consideration of the making of the Loan to the Mortgagor, the Mortgagor hereby grants to the Mortgagee, with full power of substitution, an irrevocable power of attorney of the Mortgagor coupled with an interest to carry out any and all acts and to execute any and all deeds, instruments or other documents which it may deem useful in order to exercise its rights. The Mortgagor ratifies in advance all actions of the Mortgagee pursuant to such power of attorney and confirms that the Mortgagee is not liable for any loss sustained by the Mortgagor or any other Person resulting from any such action or failure to act.

Rights and Remedies. The acceptance by the Mortgagee, as a result of default on the part of the Mortgagor, of all or part of the sums to which it is entitled, or the exercise by the Mortgagee of any right or remedy, shall not be held to preclude it from exercising any other right or remedy; all rights and remedies accruing to the Mortgagee are cumulative and not alternative.

Assignment by Mortgagee. The Mortgagor and each Guarantor, if any, acknowledges that this Mortgage (or security certificates backed by or representing any interest in this Mortgage or a pool of loans which includes this Mortgage) may be assigned by the Mortgagee to a third party or may be sold or securitized into the secondary market without restriction and without notice to or consent of the Mortgagor or any Guarantor. The Mortgagor and each Guarantor hereby irrevocably consents to the release and disclosure of any financial or other information concerning the Mortgagor, each Guarantor, the Property and the Loan in the course of any such assignment, sale or securitization.

Notices to Mortgagor. Any notice to or demand upon the Mortgagor shall be given or made at his ordinary place of business or usual residence set out on the Mortgage Form or at the address of such other place of business or usual residence or electronic address of which the Mortgagor shall have notified the Mortgagee in writing.

Place of Payment. All payments must be made at the place of business of the Mortgagee, in lawful money of Canada at 100 University Avenue, Suite 700, North Tower, Toronto, Ontario, Canada, M5J 1V6, or at such other place as the Mortgagee may from time to time indicate to the Mortgagor.

Joint and Several. Should the Loan be granted to several Persons, each of them is jointly and severally liable to the Mortgagee for all the Indebtedness and the performance of all the

obligations under this Mortgage and the other Loan Documents. The same holds for all Persons who will assume the repayment of the Indebtedness and the performance of such obligations.

Severability. In the event that any provision of this Mortgage shall for any reason be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable for any reason, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Mortgage shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

No Amendments and Waiver. No amendment to this Mortgage shall be valid or binding unless set forth in writing and agreed to by the Mortgagor and Mortgagee. No waiver of any breach of any provision of this Mortgage will be effective or binding unless made in writing and signed by the Mortgagee and, unless otherwise provided in the written waiver, will be limited to the specific breach waived. No delay or failure by the Mortgagee in the exercise of any right under this Mortgage or any other Loan Document shall operate as a waiver thereof.

Successors and Assigns. This Mortgage binds the Mortgagor, the Mortgagor's spouse (if such spouse is signing the Mortgage Form), the Guarantor and their respective heirs, personal representatives, successors, executors, administrators and assigns and any successor in title with respect to the Property. The rights hereby conferred upon the Mortgagee shall benefit the Mortgagee and all its successors and assigns.

References to First National Financial LP. All references to First National Financial LP in this Mortgage and the other Loan Documents shall mean First National Financial LP or its successors or assigns, as the case may be.

Further Assurances. The Mortgagor agrees to execute such further assurances of title to the Property as may be required by the Mortgagee and to do all things and execute such additional documents as the Mortgagee reasonably requires to ensure that all Indebtedness and other obligations of the Mortgagor to the Mortgagee remain secured by this Mortgage, that this Mortgage has priority over any other claim, charge, mortgage, lien or other encumbrance on or against the Property, except as may be otherwise agreed by the Mortgagee in writing, and otherwise to give full effect to the intent of this Mortgage.

Conflicts Between Documents. If there is a conflict or inconsistency between any provision of this Mortgage and any other Loan Document, the Mortgagee shall be entitled to choose which provision will prevail.

Interpretation. The words "hereto", "hereof", "hereby", "hereunder" and similar expressions refer to the whole of this Mortgage and not to any particular paragraph or portion hereof and extend to and include any and every document supplemental or ancillary hereto or in implementation hereof. Words importing the masculine gender include the feminine and neuter genders and words in the singular include the plural, and vice-versa, where the context so requires. The headings do not form part of this document and have been inserted for convenience of reference only.

33. CASH-BACK PROMOTION

If the Mortgagor received a cash incentive (the "**Cash-Back Amount**") to enter into the Loan (and notwithstanding that the Interest Rate hereunder may be higher as a result thereof), then the Mortgagor will repay to the Mortgagee all or part of the Cash-Back Amount based on the formula hereinafter set out if any of the following events (the "**Triggering Events**") occur prior to the expiry of the original Term of this Mortgage:

- (a) the Mortgagor sells the Property, prepays all or part of the Indebtedness, early renews or refinances this Mortgage or arranges for the assignment of this Mortgage to another mortgagee; or
- (b) the Mortgagee accelerates prepayment of the Indebtedness because of a default by the Mortgagor.

The amount that the Mortgagor must repay (the "**Repayment Amount**") if any Triggering Event occurs will equal:

- (c) except where the Triggering Event is the prepayment of only part of the Indebtedness, the Cash-Back Amount multiplied by the portion of the Term remaining at the time of occurrence of the Triggering Event (expressed in months) divided by the original Term (expressed in months); or
- (d) if the Triggering Event is the prepayment of only part of the Indebtedness, the number arrived at by using the formula in (c) above multiplied by a fraction having as its numerator the amount of the partial prepayment and as its denominator the original Principal Amount of this Mortgage.

The Repayment Amount shall be payable forthwith upon the occurrence of the Triggering Event and if not so paid shall be added to the Indebtedness, shall bear interest at the Interest Rate and shall be secured by this Mortgage.

34. GUARANTEE

The Guarantor, in consideration of the making of the Loan to the Mortgagor and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby agrees as follows:

- (a) that the Guarantor with the Mortgagor, as principal debtor and not as surety, will well and truly pay or cause to be paid the Indebtedness to the Mortgagee at the times and in the manner herein provided and appointed for the payment thereof;
- (b) that he unconditionally guarantees 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) that he will 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 of any other Person liable hereunder of any other act, matter or thing pursuant to the provisions of this Mortgage,

and the foregoing indemnity shall survive the exercise of any rights and remedies of the Mortgagee hereunder including foreclosure and shall survive the repayment of the Indebtedness and/or the discharge 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) that 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 Property 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 the other Loan Documents and is fully aware of its terms and their terms and in particular the terms of this Section 34;
- (g) that 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 and without changing or in any way affecting the undertaking of the Guarantor hereunder; and

- (h) that where there is more than one Guarantor, each Guarantor agrees with the Mortgagee to be jointly and severally responsible with all other Guarantors and the Mortgagor for all Indebtedness and obligations of the Mortgagor under this Mortgage and the other Loan Documents.

35. **SEALED COVENANTS**

Each Person signing this Mortgage (whether as a Mortgagor or a Guarantor) agrees that each promise and agreement made in this Mortgage shall be treated as if made by each of them respectively under seal.

DATED the 12th day of February, 2009.

**FIRST NATIONAL FINANCIAL GP
CORPORATION**

By:



Stephen Smith
President

I have the authority to bind the Corporation