OPTIONAL COVENANTS

NESTO INC.

STANDARD MORTGAGE TERMS

These Standard MORTGAGE TERMS apply to and form part of the attached Mortgage.

1. Meanings and Definitions

1.1 **Definitions**. In these Mortgage Terms:

"**Agreement**" means, in respect of the Loan, that certain agreement that gives rise or relates to the Indebtedness or Obligations, and any renewals, extensions, amendments, replacements, restatements and substitutions of such agreement, and under which it is agreed that the Loan will be secured by this Mortgage.

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

"**Borrower's Mailing Address**" means the postal address of the Borrower set out in the Mortgage Form or the most recent postal address provided in a written notice given by the Borrower to the Lender under these Mortgage Terms.

"**Borrower**" means the Person or Persons named in the Mortgage Form as mortgagor.

"**CMHC**" means Canada Mortgage and Housing Corporation or any successor.

"**Constituting Documents**" has the meaning given to such term in subsection 13.2.

"**Costs**" means all costs of the Lender (and interest on all such costs from the date incurred until paid to the Lender) for:

(i) preparing, executing and registering the Agreement and this Mortgage and any such costs in extending credit to the Borrower pursuant to the Agreement or qualifying the Borrower for such purpose;

(ii) enforcing the Mortgage or the Agreement;

(iii) any protective disbursements or just allowances paid by the Lender that may be added to the Indebtedness or are otherwise secured by this Mortgage;

(iv) any Receiver or other Person appointed with similar powers (under this Mortgage or otherwise) and such Receiver's or Person's costs in regard to the Property;

(v) obtaining assessments of the condition of the Property, such as, without limitation, environmental tests, site assessments, investigations or studies;

(vi) complying with any requirements of Applicable Laws in regard to the Property;

(vii) performing any of the Obligations of the Borrower under the Mortgage or the Agreement, such as the costs incurred in removing any lien from title to the Property that is in breach of this Mortgage (whether or not having priority over the Mortgage) or paying Taxes; and

(viii) in the case of all of the above items, all legal fees and disbursements of the Lender, or a Receiver, on a full solicitor-client or substantial (i.e. full) indemnity basis.

"**Court**" means a court or judge having jurisdiction under Applicable Laws.

"**Default**" means any default occurring under this Mortgage.

"**Indebtedness**" means, in respect of the Loan, all principal, interest, compound interest, Costs, and all other amounts which are due and payable by the Borrower to the Lender or which may be added to such Indebtedness from time to time, under the Agreement, this Mortgage and/or Applicable Laws.

"**Lender's Mailing Address**" means the postal address shown on the Mortgage Form or the most recent postal address provided in a written notice given by the Lender to the Borrower under these Mortgage Terms.

"Lender" means the Person or Persons named in the Mortgage Form as the lender or the mortgagee and includes any Person to whom the Lender transfers this Mortgage.

"**Loan**" means the loan made or to be made by the Lender pursuant to the Agreement, and including any replacement, refinancing, re-advancing or additional or further advances of such Loan made pursuant to the Agreement.

"**Mortgage**" means, together, the Mortgage Form and these Mortgage Terms.

"**Mortgage Form**" means the form made in accordance with Applicable Laws to which these Mortgage Terms are attached or incorporated by reference.

"**Mortgage Terms**" means the terms and conditions contained in this document and, if the Borrower has a leasehold interest in the Property, includes the terms and conditions of Appendix 1.

"**National Housing Act**" means the *National Housing Act*, R. S. C. 1985, c. N.-11, as amended and replaced from time to time.

"**Obligations**" means all obligations of the Borrower to the Lender at any time, other than Indebtedness, as may arise under the Agreement, this Mortgage or Applicable Laws.

"**Person**" means a natural person or any other legal entity, such as a corporation.

"**Place of Payment**" means the Lender's physical address or any other place specified in a written notice given by the Lender to the Borrower.

"**Property**" means the lands or the specified parcel(s) set out in the Mortgage Form, together with all buildings, structures, and improvements of any nature or kind now or hereafter located on such lands, and all fixtures, rents and all other appurtenances thereto.

"**Receiver**" means a receiver, a manager, a receiver and manager, or any other similar Person appointed in regard to the Property, or any part of the Property, and the rents and profits of and from such Property, which receiver may be an officer or officers or employee or employees of the Lender, though need not be.

"**Spouse**" means the spouse of the Borrower or another person having any equivalent spousal or common law interest in the Property under Applicable Laws.

"**Taxes**" means all taxes, rates and assessments of every kind that are payable by any Person in connection with the Property or its use and occupation.

2. Continuing Security

2.1 **Mortgage of Property**. The Borrower, hereby grants, mortgages and charges the Property to the Lender as continuing security for payment of Indebtedness and performance of Obligations.

2.2 **Limitation**. This Mortgage will secure at any one time only that portion of the principal component of the Indebtedness at such time up to the registered amount shown on the Mortgage Form (which may be identified on such form as the principal amount), plus interest and compound interest (in the manner specified in the Agreement and this Mortgage) and Costs.

2.3 **Lender Not Required to Advance Money**. The Lender is not obliged to advance to the Borrower any money under this Mortgage, whether or not this Mortgage is registered, and nothing in this Mortgage obliges the Lender to make such advances of money to the Borrower.

2.4 **No Discharge**. By entering into this Mortgage, the Borrower and Lender do not intend that the Agreement is to be extinguished, superseded or discharged. If a judgment is obtained from a Court concerning some or all of the Indebtedness or Obligations, the Borrower and Lender do not intend that the remaining Indebtedness or Obligations will be extinguished, superseded or discharged or that the Lender will be prevented from exercising any of its remaining rights under the Agreement, this Mortgage or Applicable Laws.

2.5 **No Prejudice to Other Security**. The Lender may take guarantees or securities from other Persons, or grant time, renewals, extensions, indulgences, releases and discharges to the Borrower and other Persons, relating to the Indebtedness or the Obligations secured by this Mortgage, without prejudicing the rights and remedies of the Lender under this Mortgage.

2.6 **Possession of Property**. The Borrower may continue to remain in possession of the Property as long as the Borrower is not in Default.

2.7 **Discharge of Mortgage**. When the Indebtedness and all Obligations are satisfied in full by the Borrower, this Mortgage will have no further effect and the Borrower will be entitled to obtain a discharge of this Mortgage. Where the Borrower is entitled to such discharge of this Mortgage, the discharge will be prepared and signed by the Lender and is to be registered by the Borrower, at the Borrower's expense, in the appropriate registry of deeds, land titles or land registration office to cause cancellation, release or discharge of this Mortgage against the Property.

3. Interest

3.1 **What Interest Applies to**. Interest is chargeable on and forms part of the Indebtedness and is payable by the Borrower at the rate or rates and with the frequency, and otherwise, in accordance with the terms of the Agreement and this Mortgage.

3.2 **Calculation of Interest**. Any interest that is chargeable on and forms part of the Indebtedness is not payable in advance, but is chargeable and payable at the rate or rates and with the frequency and otherwise as specified by the terms of the Agreement and this Mortgage, both before and after any Default, any maturity of the Indebtedness to which the interest relates and any judgment obtained with respect to the Indebtedness to which the interest relates, until all such interest and the Indebtedness to which the interest relates has been paid in full. Interest unpaid when due in accordance with the terms of the Agreement and this Mortgage will be added to the Indebtedness and bear compound interest at the rate or rates and with the frequency specified by the terms of the Agreement and this Mortgage. If the interest rate for any amount payable under this Mortgage is not specified by the terms of the Agreement or otherwise under this Mortgage, then such interest will be payable at the rate and with the frequency and otherwise in accordance with Applicable Laws.

3.3 **Maximum Interest**. If the interest rate or rates under the terms of the Agreement and this Mortgage exceed the maximum rate permitted by Applicable Laws, then,

notwithstanding the terms of the Agreement and this Mortgage, the interest rate will be deemed to be such maximum rate.

3.4 **Rate of interest on Mortgage Form**. If a rate of interest is set out on the Mortgage Form, the rate or rates of interest on the Indebtedness will nonetheless be the rate or rates specified by the terms of the Agreement and this Mortgage, but if none are specified for any portion of the Indebtedness, then the applicable rate of interest for such Indebtedness will be that which is set out on the Mortgage Form.

3.5 **Interest on Costs**. If Costs arise, whether under the Agreement or under this Mortgage, the Borrower will pay interest on all such Costs (and interest on overdue interest) from the time at which the Costs arise until the Costs are paid at the rate and with the frequency set out in the Agreement.

4. Payment

4.1 **Payment on Demand**. The Borrower will pay to the Lender the outstanding amount of the Indebtedness immediately on demand by the Lender, unless the terms of the Agreement and this Mortgage provide otherwise.

4.2 **Application of Payments**. Each payment will be applied as set out in the Agreement. If the Agreement does not specify the manner in which payments will be applied, each payment will be applied as follows: first in payment of amounts payable under this Mortgage or the Agreement other than money borrowed and the interest; secondly in payment of interest; and thirdly in payment of the money borrowed.

4.3 **Prepayment of Loan**. The Loan may only be prepaid in accordance with the terms of the Agreement and may not otherwise be prepaid.

5. Taxes

5.1 **Payment of Taxes by Borrower**. Without limiting any promise the Borrower has made to the Lender in the Agreement concerning the payment of Taxes, the Borrower promises to pay all Taxes and any other debts that could rank prior to this Mortgage when they are due and to send to the Lender at the Place of Payment, within thirty days of the payment due date for such Taxes and other debts, evidence that such payments have been made. If the Borrower fails to pay all Taxes and other debts that could rank prior to this Mortgage as required, the Lender may, but is not obligated to, pay the Taxes and such other debts, and any such amount paid by the Lender will be included as Costs and form part of the Indebtedness.

6. Other Promises of the Borrower

6.1 **Borrower Promises**. The Borrower promises:

(a) to comply with all terms and conditions of any charge or encumbrance of the Property that ranks ahead of this Mortgage;

(b) to pay all Indebtedness, to perform all Obligations, and to comply with all terms of the Agreement and this Mortgage;

(c) to keep all buildings and improvements forming part of the Property in good condition and to repair them as needed or as the Lender reasonably requires and not to alter or tear down any building or part of a building forming part of the Property;

(d) not to use the Property for any illegal purposes;

(e) to enforce and maintain in good standing all warranties and insurance relating to buildings and improvements forming part of the Property;

(f) to comply with Applicable Laws affecting the condition (such as, without limiting the generality of the foregoing, the environmental condition), repair, use and occupation of the Property;

(g) to do all things and sign any other document that the Lender reasonably requires to ensure that the Indebtedness and Obligations remain secured by this Mortgage and that the Mortgage has priority over any other security over the Property, except as may otherwise be agreed to by the Lender;

(h) not to do or fail to do anything that has the effect of reducing the value of the Property or lowering the priority of this Mortgage and any other security in favour of the Lender (the Borrower is to promptly inform the Lender of any fact or event that could adversely affect the value of the Property or the financial condition of the Borrower or that could lower the priority of this Mortgage or other security held by the Lender for the Indebtedness and Obligations);

(i) if the Borrower has rented the Property to a tenant, and if the Lender so requests, to keep records of all rents received and of all expenses paid by the Borrower in connection with the Property, and, at least annually, have a statement of revenue and expenses for the Property prepared by a chartered professional accountant, and to give a copy of the statement to the Lender;

(j) to insure and keep insured all buildings and improvements on the Property for not less than their full replacement value until this Mortgage is discharged, including, without limitation, (i) risks of loss or damage by fire with extended perils coverage and such additional perils, risks or events against which a prudent owner would insure the Property; (ii) if applicable, risks of loss and damage by explosion of, or caused by, any boiler or similar apparatus, against loss or damage caused by a sprinkler system; and (iii) if applicable, risks of loss from damage to or destruction of the Property resulting in interruption to or loss of revenue, rental income, or business income from the Property;

(k) to send to the Lender a copy of all insurance policies and renewals of same upon receipt and to ensure that all insurance policies required under this Mortgage are carried with a company approved by the Lender and contain mortgage clauses approved by the Insurance Bureau of Canada confirming that loss proceeds are payable to the Lender, that the Lender has the right to receive and to have a lien on the loss proceeds in accordance with its priority established under this Mortgage (the Borrower hereby assigns to the Lender all amounts payable under any of these policies), and that the insurer will promptly advise the Lender of (i) any cancellation, or proposed cancellation of a policy by the insurer for any reason, (ii) any failure by the insurer to renew a policy for any reason and (iii) any material change in the risk insured by the insurer, if required by the Lender;

(l) on the happening of any damage, to furnish all necessary proofs to the Lender and do all necessary acts to enable the Lender to obtain payment of the insurance proceeds, with the intention that the Lender, in its discretion, may allow the Borrower to use the insurance proceeds to repair or rebuild the Property or may use such insurance proceeds to reduce the Indebtedness, whether due or not;

(m) if the Lender requires the Borrower to do so, to arrange for payments on account of Indebtedness to be made by pre-authorized withdrawals from an account of the Borrower;

(n) to pay any money, which, if not paid, would result in a default under any charge or encumbrance having priority over this Mortgage or which might result in the sale of the Property; and

(o) to pay and cause to be discharged any liens or encumbrances over the Property that are not prior encumbrances permitted by the Lender under this Mortgage.

6.2 **Promises regarding the Property**. The Borrower promises and declares to the Lender that:

(a) the Borrower:

(i) has good title to the Property;

(ii) has the right to give the Lender this Mortgage and that on Default the Lender can have quiet possession of the Property free from all encumbrances; and

(iii) will execute such further assurances of title to the Property as may be required by the Lender;

(b) the Borrower's title to the Property is subject only to:

(i) those charges and encumbrances that are registered in the registry of deeds, land titles or land registration office for the Property at the time the Borrower signed this Mortgage; and

(ii) any unregistered charges and encumbrances that the Lender has agreed to in writing;

(c) subject to paragraph (b) above, the Borrower:

(i) has not given or is not in the process of giving any other charge or encumbrance against the Property; and

(ii) has no knowledge of any other claim against the Property.

7. Promises between the Borrower and the Lender

7.1 **Lender May Fulfill Borrower's Obligations**. The Lender may, but is not required to, fulfill any of the obligations of the Borrower under the terms of the Agreement, this Mortgage or the Obligations, or spend any money to perform any such obligations.

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

7.3 **Inspection of Property**. The Lender or its insurer (if this Mortgage is insured), or their respective agents, may at any reasonable time or times inspect the Property and any buildings and improvements which form part of it, or have it appraised from time to time. In addition, the Lender or its insurer, or their respective agents, may conduct at any time or times any environmental testing, site assessments, investigations, or studies that the Lender or its insurer considers necessary. The reasonable cost of any such inspections, appraisals, tests, assessments, investigations, or studies will be immediately due and payable by the Borrower and will form part of the Indebtedness and will bear interest at the interest rate provided for in the Agreement. The Lender or its insurer, or their respective agents, will not become a mortgagee in possession by exercising these rights.

7.4 **Repairs by Lender**. The Lender, in its sole discretion, may enter the Property at any reasonable time or times to inspect the Property and request the Borrower to make any repairs that the Lender deems necessary, at the cost of the Borrower, but, just by doing so, the Lender will not become a mortgagee in possession nor will the Lender be under any obligation to make any repairs to the Property.

7.5 **Lender not Responsible for Maintenance**. If the Lender takes possession of the Property, the Lender will not be responsible for maintaining and preserving the Property or maintaining the use for which the Property is intended, except to the extent required by Applicable Laws, and the Lender need only account to the Borrower for any money

the Lender actually receives in connection with this Mortgage or the Property while in possession of the Property.

7.6 **Notice to Lender**. If the Borrower wants to give any notice to the Lender, the Borrower must do so in writing and send the notice by registered mail to the Lender's Mailing Address.

7.7 **Notice to Borrower**. If the Lender wants to give any notice to the Borrower, the Lender must do so by having it delivered to the Borrower personally or by sending it by mail to the Borrower's Mailing Address.

7.8 **When Notice Received**. Any notice given by the Lender to the Borrower in accordance with this Mortgage is considered to have been received five days after the day on which it was mailed.

7.9 **Mail Strike or Disruption**. Any notice to be given during a mail strike or disruption must be delivered personally rather than sent by mail.

7.10 **No Release on Sale**. The Borrower is not released from the Indebtedness or the Obligations only because the Borrower transfers or otherwise conveys, or purports to transfer or otherwise convey, the Property or any interest therein.

7.11 **Other Mortgages**. If the Borrower has mortgaged, charged or granted any interest or security in any other property to the Lender to secure payment of any of the Indebtedness or the Obligations, the Lender may take all proceedings under any of those mortgages, charges, grants of interest or security as the Lender decides and as permitted by Applicable Laws.

7.12 **Lender May Release Part of Property**. Whether or not the Lender receives any value, at all times the Lender may release any part or parts of the Property or any other security or any other Person's promise for payment of all or any part of the Indebtedness or performance of the Obligations without being accountable to the Borrower except for with respect to the money the Lender actually receives. Notwithstanding any such release, the Property, security and promises of the Borrower and other Persons remaining unreleased will remain in effect for repayment of the Indebtedness and performance of the Obligations.

8. Defaults

8.1 **Events of Default**. A default (a "**Default**") occurs under this Mortgage if:

(a) the Borrower does not make a payment under the Indebtedness at the time and in the manner required by the terms of the Agreement or by this Mortgage;

(b) any statement, certification, representation, covenant or agreement of the Borrower or a guarantor given to the Lender in connection with the Indebtedness or any Obligations is or becomes untrue or misleading;

(c) the Borrower is in default in performing any Obligations at the time and in the manner required by the terms of the Agreement or this Mortgage;

(d) the Borrower breaches any promise, condition or agreement which the Borrower has made to the Lender in this Mortgage (or there is an occurrence that is deemed a Default under this Mortgage) or the Borrower or any other Person breaches a promise, condition or agreement in the Agreement even though the Borrower may not be in breach of a payment obligation under the Indebtedness;

(e) the Borrower becomes insolvent or bankrupt, becomes subject to insolvency, reorganization, arrangement or similar proceedings affecting the rights of any creditor;

(f) the Property is abandoned or is left unoccupied for thirty or more consecutive days;

(g) the Property or any part of it is expropriated or condemned;

(h) the Borrower sells or agrees to sell all or any part of the Property or the Borrower leases it or any part of it without the prior written consent of the Lender, which may be refused at the sole discretion of the Lender;

(i) the Borrower gives another mortgage of the Property to someone other than the Lender without the prior written consent of the Lender;

(j) any type of lien whatsoever, such as a mechanic's, builder's, or construction lien, judgment, encumbrances resulting from unpaid property taxes or utilities, or any similar encumbrance is registered against the Property or the Lender receives notice that a lien or judgment will be obtained, unless prior written consent is obtained from the Lender for each instance of lien, judgement or encumbrance;

(k) the Property is subject to foreclosure proceedings or judicial sale or is otherwise seized by another mortgagee, encumbrancer, writ holder, receiver, or any agent of one of those, or any other Person performing similar functions;

(l) improvements to the Property remain unfinished and no work has been done for a period of fifteen consecutive days;

(m) the Property is used for any illegal purpose or a purpose other than the purpose set out in the Agreement or this Mortgage;

(n) the Borrower is in default under any lease of the Property; or

(o) an event occurs which is stated to be a Default under this Mortgage.

8.2 **Lender Determines Default**. The Lender, in its sole discretion, will determine whether any Default has occurred.

9. Consequences of a Default

9.1 **Borrower's Rights Cease Upon Default**. Upon a Default occurring, the Borrower is not entitled to exercise any rights or entitlements under this Mortgage or the Agreement.

9.2 **Lender's Rights on Default**. If a Default occurs, the Lender, where and to the extent permitted by Applicable Laws, and then in any order that the Lender chooses, may do any one or more of the following:

(a) demand immediate payment of all the Indebtedness, in which case the Indebtedness will become immediately due and payable;

(b) demand immediate performance of all Obligations, in which case the performance of the Obligations will become immediately due;

(c) sue the Borrower for money that is due in respect of the Indebtedness or the performance of Obligations, or both;

(d) take proceedings and any other legal steps to compel the Borrower to satisfy the Indebtedness or perform the Obligations, or both;

(e) enter upon and take possession of the Property;

(f) sell the Property and any other property mortgaged by the Borrower to the Lender by public auction or private sale on terms decided by the Lender, including selling the Property for cash or credit or any combination of the two:

(i) on thirty-five days' notice to the Borrower if the Default has continued for fifteen days (or longer or other period, if required by Applicable Laws); or

(ii) without notice to the Borrower if the Default has continued for sixty days or more (if and to the extent permitted by Applicable Laws);

(g) lease the Property on terms decided by the Lender:

(i) on fifteen days' notice to the Borrower if the Default has continued for fifteen days (or longer or other period, if required by Applicable Laws); or

(ii) without notice to the Borrower if the Default has continued for thirty days or more (if and to the extent permitted by Applicable Laws);

(h) apply to a Court for an order that the Property be sold on terms approved by the Court;

(i) apply to a Court to foreclose the Borrower's interest in the Property so that when the Court makes its final order of foreclosure the Borrower's interest in the Property will be absolutely vested in and belong to the Lender;

(j) apply to a Court to have a receiver or receiver and manager or comparable officer of the Court appointed with respect to the Property or appoint a Receiver of the Property under this Mortgage;

(k) enter upon and take possession of the Property without the permission of anyone and make any arrangements the Lender considers necessary to:

(i) inspect, lease, collect rents or manage the Property;

(ii) complete the construction of any building on the Property; or

(iii) repair any building on the Property; and

(l) take whatever action is necessary to take, recover and keep possession of the Property.

9.3 **Powers of the Court**. Nothing in subsection 9.2 affects the jurisdiction of the Court.

9.4 **Application of Proceeds**. Any payments made of Indebtedness from money or other proceeds realized from the sale of any securities held in respect of such Indebtedness, including proceeds realized under this Mortgage, may be applied and reapplied notwithstanding any previous application on such part or parts of the Indebtedness as the Lender decides or may be held unappropriated in a separate collateral account for such time as the Lender decides.

9.5 **Deficiency After Sale**. Subject to Applicable Laws, if the proceeds available from realizing upon the Property pursuant to this Mortgage are not sufficient to pay all the Indebtedness, the Borrower will pay to the Lender on demand the amount of the deficiency.

9.6 **Payment of Lender's Expenses and Costs**. The Borrower will pay to the Lender on demand any Costs. Costs form part of the Indebtedness and will bear interest in accordance with terms of the Agreement and this Mortgage as they relate to Costs.

9.7 **Lender's Rights After Judgment**. If the Lender obtains judgment against the Borrower as a result of a Default, the remedies described in subsection 9.2 may continue to be used by the Lender to compel the Borrower to pay the Indebtedness and perform the Obligations. The Lender will continue to be entitled to receive interest on the Indebtedness, in accordance with and in the manner provided for such interest under the Agreement and this Mortgage, until the judgment is paid in full.

9.8 **No Waiver of Rights**. If the Lender does not exercise any of the Lender's rights on the happening of a Default or does not ask the Borrower to cure such Default, the Lender is not prevented from later compelling the Borrower to cure that Default or exercising any of those rights in connection with that Default or any later Default of the same or any other kind.

10. Construction of Buildings or Improvements

10.1 **No Construction, Alteration or Addition Without Consent**. The Borrower will not construct, alter or add to any buildings or improvements on the Property without the prior written consent of the Lender, and then only in accordance with accepted construction

standards, building codes and municipal or government requirements and plans and specifications approved by the Lender and the insurer if this Mortgage is insured.

11. Rental and Assignment of Rents

11.1 **Lender to Approve Rental**. If the Property or any part of the Property is used or intended to be used as owner-occupied residential premises, the Borrower represents that no part of the Property is rented or occupied by a tenant and the Borrower promises not to rent, lease or enter into a tenancy agreement of any part of the Property without obtaining the Lender's prior written approval, which approval may be refused at the sole discretion of the Lender.

11.2 **Borrower's Obligations**. If the Property or any part of the Property is intended to be used as rental premises and the Lender has consented to such rental, the Borrower:

(a) must deliver to the Lender a copy of all leases related to the Property and will provide any and all information related to the rents on the Lender's request;

(b) will only lease the Property at a value corresponding to a lease at the fair market value and will not accept payment in advance of more than one month's rent; and

(c) assigns, as additional and separate security for the Indebtedness and the Obligations, all existing and future rents and leases relating to the Property. In particular, the Borrower transfers and assigns to the Lender as security:

(i) all leases, lease agreements, sub-leases, and offers to lease, and their renewals, whether in writing or not;

(ii) all rents and other money payable under the terms of all such leases, sub-leases, offers to lease, and agreements; and

(iii) all the Borrower's rights under such leases, sub-leases, offers to lease, and agreements.

11.3 **Receipt of Rents**. Notwithstanding subsection 11.2, the Lender will allow the Borrower to receive the rents as long as the Borrower is not in Default. If the Lender withdraws this privilege, the Lender may collect such rents and revenues and will be entitled to a reasonable commission, which it may deduct from any amounts collected.

11.4 **Lender Not Responsible**. Nothing done by the Lender under this section 11 will make the Lender a mortgagee in possession or will have the effect of making the Lender responsible for collecting rent or complying with any terms of any lease or agreement.

12. Receiver

12.1 **Lender May Appoint Receiver**. Upon Default, the Lender or the Lender as agent or attorney for the Borrower (with no such appointment being revocable by the Borrower), 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.

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

(a) will be deemed to be the Borrower's irrevocable agent or attorney, vested with all rights, powers and discretions of the Borrower, and the Borrower will be solely responsible for the Receiver's acts or omissions;

(b) has power, either in the Borrower's name or in the name of the Lender, to demand, recover and receive income from the Property and 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;

(d) may complete the construction of or repair any improvement on the Property;

(e) may take possession of all or part of the Property;

(f) may manage the Property and maintain it in good condition;

(g) has the power to perform, in whole or in part, the Borrower's duties under the terms of the Agreement, this Mortgage and the Obligations; and

(h) 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.

12.3 **Use of Income by Receiver**. 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 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 charge 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 interest to the Lender that is due and payable; (vii) pay all or part of the Indebtedness to the Lender whether or not it is due and payable; (viii) pay any other money owed by the Borrower under this Mortgage; and (ix) pay insurance premiums.

12.4 **Receiver May Borrow**. The Receiver may borrow money for the purpose of doing anything the Receiver is authorized to do.

12.5 **Borrower Responsible for Borrowing by Receiver**. Any money borrowed by the Receiver from the Lender, 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 rate and to be paid with the frequency provided under the applicable terms upon which such money was borrowed.

12.6 **Receiver's Costs and Expenses**. The fees and disbursements of the Receiver, if paid by the Lender, will form part of the Indebtedness and will bear interest according to the terms of the Agreement and this Mortgage.

12.7 **Lender Not Responsible**. Nothing done by the Receiver under this section 12 will make the Lender a mortgagee in possession, and the Borrower hereby releases and discharges the Lender and every Receiver from every claim of every nature, whether sounding in damages for negligence or trespass or otherwise, which may arise or be caused to the Borrower or any Person claiming through or under it by reason or as a result of anything done by the Lender or any Receiver under the provisions of this section 12. The Borrower agrees to ratify and confirm all actions of any Receiver taken or made pursuant to this provision and agrees that neither the Receiver nor the Lender will be liable for any loss sustained by the Borrower or any other Person resulting from any such action or failure to act.

13. Strata/Condominium Provisions

13.1 **Strata/Condominium Provisions**. This section 13 applies if the Property is or becomes a strata lot/condominium property created under Applicable Laws. The Borrower will comply with this section 13 in addition to all other terms of this Mortgage and Applicable Laws.

13.2 **Borrower Will Obey Strata/Condominium Rules**. The Borrower will perform all of the Borrower's obligations as a strata lot/condominium owner under Applicable Laws and the declaration, bylaws, rules and regulations of the strata/condominium corporation (the

"Constituting Documents") and will pay all money owed by the Borrower to the strata/condominium corporation.

13.3 **Insurance**. The Borrower will cause the strata/condominium corporation to insure the Property and the common property (or common elements), in accordance with Applicable Laws. In addition, the Lender agrees that the provisions of Applicable Laws regarding the insurance proceeds will prevail notwithstanding subsection 6.1(k)).

13.4 **Right to Vote**. Subject to Applicable Laws, the voting rights of the Borrower as owner are exercisable by the Lender on written notice to the strata/condominium corporation, but the Lender is not required to attend meetings of the strata/condominium corporation or to exercise such rights, whether or not notice is given. The Borrower hereby irrevocably assigns all voting rights to the Lender, provided that until the Lender is entitled to vote in accordance with Applicable Laws, the Borrower may exercise the Borrower's voting rights.

13.5 **Borrower to Supply Copies of Documents**. At the request of the Lender, the Borrower will give the Lender copies of all notices, financial statements and other documents given by the strata/condominium corporation to the Borrower.

13.6 **Lender is Borrower's Agent**. The Borrower appoints the Lender to be the Borrower's agent to inspect or obtain copies of any records or other documents of the strata/condominium corporation that the Borrower is entitled to inspect or obtain, including the amount of any assessments or payments due to the strata/condominium corporation by the Borrower. The Lender is entitled to make inquiries as to the status of the Borrower's common expense contributions.

13.7 **Indebtedness May Become Due**. If the strata/condominium corporation transfers, charges or adds to the common property (or common elements), or amends its Constituting Documents without the consent of the Lender, and if, in the Lender's opinion, the value of the Property is reduced, there is a Default.

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

(a) governance of the property of the strata/condominium corporation under Applicable Laws is terminated or wound up as described in Applicable Laws or the Constituting Documents;

(b) a vote of the strata lot/condominium owners authorizes the sale of the property of the strata/condominium corporation or of a 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 lots/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 Lender, to manage its property and assets in a careful way or to maintain its assets in good repair.

13.9 **Strata/Condominium Expense Default**. Where the Borrower defaults in the obligation to contribute to the administrative expenses assessed or levied by the strata/condominium corporation, or any authorized agent on its behalf, or any assessment, instalment or payment due to the strata/condominium corporation or upon breach of any covenant or the provisions herein, regardless of any other action or proceeding taken or to be taken by the strata/condominium corporation, the Lender, may at its sole option and discretion and without notice to the Borrower:

(a) pay such expenses or levies and add any such payments to the Indebtedness and such amounts will bear interest according to the terms of the Agreement and this Mortgage; or

(b) deem such default to be a Default under this Mortgage.

Upon Default and notwithstanding any other right or action of the strata/condominium corporation or of the Lender, the Lender may distrain for arrears of any assessments, instalments or payments due to the Lender or arising under this provision.

13.10 **Lender Not Responsible**. Nothing done by the Lender under this section 13 will make the Lender a mortgagee in possession.

14. Indebtedness Insured Pursuant to National Housing Act

14.1 If the Loan and the Mortgage are insured by CMHC or another loan insurance provider, and if there is a conflict between the provisions of the Agreement or the other provisions of this Mortgage and this section 14, the following will prevail to the extent of the conflict:

(a) ***National Housing Act***. *National Housing Act* applies to the Loan and this Mortgage if they are insured by CMHC.

(b) **Taxes**. The Lender may allow the Borrower to pay the Taxes directly to the appropriate authority, subject to such conditions as the Lender may set from time to time. In that case, the Borrower will pay the Taxes in the manner described in section 5. The Borrower, however, agrees that the Lender may withdraw this privilege at any time and the Borrower will pay the Taxes in the manner set out in the Agreement.

(c) **Insurance**. The Borrower promises to insure the Property in accordance with paragraphs 6.1(j) and 6.1(k) above. In addition, the Borrower will send a certified copy of each insurance policy immediately upon the execution of this Mortgage and, not less than fifteen days before any policy expires, the renewal certificate or certified copy of the replacement policy to the Lender at the Place of Payment.

(d) **Inspection of Property**. The Lender or its agent or CMHC's agent may inspect the Property in accordance with subsection 7.3 above.

(e) **Interest Adjustment Date**. The definition of the interest adjustment date is specified in the Agreement.

15. Spouse of the Borrower

15.1 **Consent of Spouse**. Unless such affidavits and other documents are separately delivered to the Lender as required under Applicable Laws to release to the Lender any claim or interest of a Spouse in and to the Property, any Spouse who is signing the Mortgage Form consents to the granting of this Mortgage by the Borrower and releases to the Lender 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 Lender's rights under and the priority of this Mortgage.

16. General

16.1 **Who this Mortgage Binds**. This Mortgage binds the Borrower, a Spouse (if any Spouse is signing the Mortgage Form) and their respective heirs, personal representatives, successors, executors, administrators and assigns.

16.2 **Who this Mortgage Benefits**. This mortgage benefits the Lender, its successors and assigns and all those parties for whom the Lender may hold the Mortgage as agent, nominee and bailee from time to time.

16.3 **Amendments**. Any agreement to make material changes to this Mortgage will not only apply to those who agree to the changes in writing, but to any Person, such as the Spouse (if any), who signed the Mortgage Form.

16.4 **Joint and Several Obligations**. Each Person who signs this Mortgage as a Borrower is jointly and severally liable for the payment of all the Indebtedness and the performance of the Obligations.

16.5 **Unenforceable Provisions**. If any part of this Mortgage is not enforceable or invalid, all other parts of this Mortgage will remain in full effect and be enforceable against the Borrower and any Spouse who is signing the Mortgage Form.

16.6 **Lender May Make Changes**. The Lender may, without consent or notice, assign, grant security interests in or otherwise dispose of all or some of the Indebtedness or this Mortgage.

16.7 **Responsibility of Lender**. The Lender is only liable to the Borrower for the Lender's intentional fault or gross negligence.

16.8 **Lender May Delegate**. The Lender may delegate the exercise of its rights or the performance of its obligations to another Person. In that event, the Lender may furnish that Person with any information it may have concerning the Borrower or the Property.

16.9 **Headings**. Headings in the Mortgage do not form part of this Mortgage but are used only for easy reference.

16.10 **Interpretation**. In this Mortgage the singular includes the plural and *vice versa*.

16.11 **Conflicts Between Documents**. If there is a conflict between any provision of this Mortgage and the Agreement, the relevant provision in the Agreement will prevail to the extent of the conflict.

16.12 **Further Assurances of the Borrower**. At the request of the Lender, the Borrower will execute such further assurances of the Property or this Mortgage as may be required.

16.13 **Extent of Estate**. And for better securing to the Lender the repayment in the manner aforesaid of the Indebtedness and the performance of the Obligations, the Borrower hereby mortgages to the Lender all of the Borrower's estate and interest in the Property.

16.14 **Power of Attorney**. In consideration of the mutual promises of the Lender and the Borrower in this Mortgage, the Borrower grants to the Lender, with full power of substitution, an irrevocable power of attorney coupled with an interest to perform any action or to sign any document required to allow the Lender to fully exercise the rights granted under this Mortgage or the Agreement and to deal with the Property. The Borrower ratifies in advance all actions of the Lender pursuant to such power of attorney

and confirms that the Lender is not liable for any loss sustained by the Borrower or any other Person resulting from any such action or any failure to act.

16.15 **Statutory Covenants Excluded**. The covenants implied or incorporated into a mortgage by statute in the province where the Property is located are, to the extent permitted by statute, excluded or overridden by the terms of this Mortgage.

16.16 **Rights and Remedies**. The Lender may exercise all rights and remedies in this Mortgage, the Agreement or under Applicable Laws, concurrently, cumulatively, independently and in such order and combination and at such times as the Lender sees fit. In doing so, the Lender is not obligated to exhaust any one right or remedy before exercising any of its other rights or remedies.

APPENDIX 1

LEASEHOLD MORTGAGE

1. **Definition**. For the purposes of this Schedule 1, "Lease" means a lease, or any sublease, pursuant to which the Borrower has a leasehold interest, if any, in the Property;

2. **Application to Leases**. If the interest mortgaged is a leasehold interest, this Mortgage is to be construed as a charge upon the unexpired term of the Lease less the last day of that term.

3. **Borrower Promises**. The Borrower represents to the Lender that:

   (a) the Borrower has provided to the Lender a true and complete copy of the Lease;

   (b) the Lease is held by the Borrower subject only to those charges and encumbrances that are registered in the appropriate registry of deeds, land titles or land registration office at the time the Borrower signs this Mortgage;

   (c) the Lease is in good standing;

   (d) the Borrower has complied with all the Borrower's promises and agreements contained in the Lease;

   (e) the Borrower has paid all rent that is due and payable under the Lease;

   (f) the Lease is not in default; and

   (g) the Borrower has the right to mortgage the Lease to the Lender.

4. **Borrower's Obligation**. Where the interest mortgaged is a leasehold interest, the Borrower will:

   (a) comply with the Lease and not do anything that would cause the Lease to be terminated;

   (b) immediately give to the Lender a copy of any notice or request received from the landlord;

   (c) maintain the Lease in good standing, and renew the Lease or enter into a new lease agreement for the Property from time to time, so long as the Mortgage or Obligations or Indebtedness is outstanding;

   (d) immediately notify the Lender if the landlord advises the Borrower of the landlord's intention to terminate the Lease before the term expires; and

   (e) sign any other document the Lender requires to ensure that any greater interest in the Property that is acquired by the Borrower is charged by this Mortgage.

5. **Default Under Lease**. Any default under the Lease is a Default under this Mortgage.

6. **No Changes to Lease**. The Borrower promises the Lender that the Borrower will not, without first obtaining the written consent of the Lender:

   (a) surrender or terminate the Lease; or

   (b) agree to change the terms of the Lease.

7. **Lender May Perform**. The Lender may perform any promise or agreement of the Borrower under the Lease. Any amounts paid by the Lender pursuant to the Lease shall be added to and form part of the Indebtedness.

8. **Lender Not Responsible**. Nothing done by the Lender under this Schedule 1 will make the Lender a mortgagee in possession.