

DEED OF LOAN AND HYPOTHEC

Minute No:

On this () day of January Two Thousand and
(20)

Before Mtre , the undersigned Notary for the Province of Quebec
practicing in the

APPEARED:

(hereinafter referred to as the "**Borrower**")

[(if applicable) and

(hereinafter referred to as the "Co-Borrower Non-owner")]

AND:

COMPUTERSHARE TRUST COMPANY OF CANADA a trust company
organized under the laws of Canada, having its head office at 100 University
Avenue, 12th floor, Toronto, Ontario M5J 2Y1, herein acting and represented
by , its and by , its , duly authorized for the purpose
hereof as they so declare.

(hereinafter referred to as the "**Lender**")

Notice of address registered in the Land Register of Québec under number

WHO HAVE AGREED AS FOLLOWS :

1. LOAN AGREEMENT

Subject to the terms and conditions set forth in the approval of loan dated , and delivered to the Borrower by the Lender and the cost of borrowing disclosure statement, a copy of which remains annexed to the original of these presents after having been acknowledged as true and signed for identification by the parties in the presence of the undersigned Notary and the terms and conditions of which form part thereof, the Lender agrees to lend the Borrower the sum of dollars (\$) (the "**Principal**") in lawful Canadian currency (including any amendment, extension, renewal or replacement thereof, the "**Loan**"). In this Deed, the expression "**Indebtedness**" means all debts and obligations present and future of the Borrower to the Lender in respect of and in connection with the Loan, including principal, interest and any other amount that may be owed to the Lender by the Borrower under the terms of this Deed.

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2. INTEREST

A. Fixed Interest Rate (Applicable only to Fixed Rate Loans)

Interest payable on the Principal balance shall be calculated at an annual rate of percent (%), calculated semi-annually not in advance. The first semi-annual calculation of interest after the Interest Adjustment Date (as hereinafter defined) will be for the six (6) month period commencing on the Interest Adjustment Date. That calculation shall be made six (6) months after the Interest Adjustment Date and semi-annual calculations of interest will be made every six (6) months after that. Interest is payable on the Loan amount at this rate both before and after the Balance Due Date (as hereinafter defined), default and judgment, until the Loan amount has been paid in full.

For the purpose of this Deed, the term “**Interest Adjustment Date**” means the date on which the first payment of interest is required under the Loan and corresponds to the first (1st) day of the month which follows the date on which the Principal shall have been advanced in full to the Borrower.

B. Adjustable Rate Loan (Applicable only to Adjustable Rate Loans)

- (i) The interest rate payable by the Borrower under the Loan is an adjustable rate per annum equal to the Paradigm Prime Rate Plus percent (+ %). If, on any Instalment Payment Date, the Paradigm Prime Rate is different from the Paradigm Prime Rate in effect on the immediately prior Instalment Payment Date, then: (a) on the Current Payment Date interest will continue to accrue at the interest rate in effect on the day prior to the Current Payment Date; and (b) the interest rate and the amount of the Regular Mortgage Payment will automatically change to reflect the change in the Paradigm Prime Rate effective on the day immediately following the Current Payment Date, such that interest at the new interest rate will accrue from and after the day immediately following the Current Payment Date.
- (ii) The interest rate on this Loan is calculated monthly not in advance and payable monthly as herein set forth, as well as before maturity and both before and after default.

For the purpose of this Deed, the term “**Paradigm Prime Rate**” means the adjustable rate of interest per year declared from time to time by Paradigm Quest Inc. to be the prime rate for Canadian dollar mortgage loans in Canada and which it refers to as the “**Paradigm Quest prime rate**”. The Prime Rate in effect at any time is available by inquiry to Paradigm Quest Inc. and at www.mortgagedocuments.ca.

C. Compound Interest

If the Borrower does not make the regular loan payment or other payments when required by this Deed, the Lender will charge interest, at the rate provided for in this Deed (called "**compound interest**") both before and after the balance due date set out in the Deed of Loan, default and judgment on any portion overdue of the amount of the Loan (including interest) until it is paid to the Lender. The Lender will also charge interest, at the rate payable on the amount of the Loan, on compound interest that is overdue until paid to the Lender, both before and after the final payment date as well as both before and after default and judgment.

D. Progress Advance Construction Loan

An improvement means any alteration, addition or repair to any building on the Property (as hereinafter defined) or any construction, erection or installation on the Property. If the purpose of the Loan is to finance an improvement via progress advances, the accrued interest on progress advances is calculated daily and payable monthly during the construction period, until the Interest Adjustment Date. Interest on any overdue interest, compounded monthly, will be calculated on the same basis until paid. No additional progress advances will be made until any outstanding overdue interest is paid. Interest that has accrued but not yet been paid as of the Interest Adjustment Date, will be deducted from the last substantial advance. Information regarding Progress Advance Construction Loans is provided hereinafter in Section 20 of this Deed.

3. REPAYMENT OF LOAN

A. Currency and Method of Payment

The Borrower will pay the Loan amount set forth in this Deed to the Lender in Canadian Dollars. Regular payments and other payments by the Borrower will be drawn from the bank account provided by the Borrower to the Lender.

B. Payment up to the Interest Adjustment Date

- (i) Fixed Rate Loans: Interest on advances up to the Interest Adjustment Date will be calculated semi-annually not in advance at the rate specified in this Deed in effect on the date of advance and at the Lender's option will be paid by the Borrower or deducted by the Lender on the Interest Adjustment Date, deducted by the Lender from any advance or advances which the Lender makes, or be deducted by the Lender on the first regular loan payment date.
- (ii) Adjustable Rate Loans: Interest on advances up to the Interest Adjustment Date will be calculated monthly at the rate specified in the Deed of Loan in effect on the date of advance and at the Lender's option will be paid by the Borrower or deducted by the

Lender on the Interest Adjustment Date, deducted by the Lender from any advance or advances which the Lender makes, or be deducted by the Lender on the first regular loan payment date.

C. Payment following the Interest Adjustment Date

- (i) Fixed Rate Loans: Following the Interest Adjustment Date, regular, equal, consecutive monthly Instalments each in the amount of _____ dollars (\$) shall become due and payable on account of Principal and interest (each such date is referred to herein as an "**Instalment Payment Date**").
- (ii) Adjustable Rate Loans: Following the Interest Adjustment Date, the monthly Instalments shall vary from time to time as provided in Section 2.B(i).

The first instalment is to be made on the day of _____ up to and including the _____ (_____) day of _____ (the "**Balance Due Date**"), at which date the balance (Principal, interest and other amounts), if any, owing under this Deed shall become due and payable.

D. Payment Provisions on Default

If the Borrower fails to make any payment or does not meet any of his other obligations under this Deed, the Borrower must immediately pay to the Lender all outstanding arrears. The Lender may, at its discretion, require the Borrower to make all following payments of Principal and interest and taxes and life insurance premiums (if applicable) on a monthly basis.

In such an event, the Lender may require the Borrower to pay interest to the first day of the following month within fifteen (15) days of notice from the Lender, which will be added to the Loan amount if the Borrower does not do so. The Lender may also use any of its rights set forth in Section 17.

E. Bank Account for Payments

The Borrower must maintain an account of a type satisfactory to the Lender with a branch of a bank, trust company or credit union and provide an authorization in a form satisfactory to the Lender to automatically debit each payment of principal, interest, taxes and life insurance premiums (if applicable) when due.

The Borrower must make sure that the account always contains sufficient funds to make each payment. Failure to maintain sufficient funds in the account, cancellation of the authorization or closing the account will be considered to be default under this Deed. The Borrower agrees to pay to the Lender its then processing fees for any actions which the Lender has to take under this Section 3.

When the term of the Loan expires, if an amount exceeding the amount of a regular instalment is still owing, the Lender may not demand payment until thirty (30) days after giving the Borrower notice of its intention, unless the Borrower is in default. This paragraph applies only if the Property consists of no more than four (4) dwelling units and if the hypothec granted hereunder is not a first ranking hypothec.

F. Time of Payments

All payments due under this Deed shall be paid to the Lender before 2:00 p.m. Eastern Standard Time on any payment date. The Borrower agrees that any payment received after 2:00 p.m. Eastern Standard Time shall be deemed to have been made on the following banking day.

G. Application of Loan Payments

Each of the Borrower's regular payments will be used in the following order: a) to pay interest or reduce the interest on the principal amount accumulated to but not including the payment date; b) to pay collection expenses, if any; c) to pay life insurance premium, if any; d) to bring into good standing any accounts in which funds are held pending payment to third parties or amounts are debited in respect of this Deed, including tax accounts (escrow accounts); e) to pay any administration and processing fees and f) to reduce the amount of Principal. However, if the Borrower does not meet any of its obligations under this Deed the Lender may apply the Borrower's payment or any other money received by the Lender towards any part of the outstanding Loan amount the Lender, at its discretion, chooses.

4. REPAYMENT OF LOAN BEFORE BALANCE DUE DATE

The Borrower may repay some, or the entire Loan early only in the ways described hereinafter.

If the Lender later agrees to change or extend the terms of the Loan, these prepayment provisions will not apply to the new or extended term.

For these prepayment privileges, a year means the twelve (12) month period starting on the Interest Adjustment Date and on each anniversary of the Interest Adjustment Date.

A. Partial Prepayment:

The Borrower may increase his payments, or repay some of the Loan early in the ways listed hereinafter. These options apply to partial prepayments only. The options are available each year of the term of the Loan and cannot be saved to use in a later year. Partial prepayment options used in any combination may not exceed the twenty percent (20%) yearly prepayment maximum. The Borrower may not use any of these partial prepayment options if he is in default in payment or in performance of any of the other terms or conditions of the Loan.

- (i) Prepayment of a maximum of twenty percent (20%) of the amount of the Principal:

The request for this prepayment option must be made by the Borrower at least five (5) days before the next Instalment Payment Date. The minimum prepayable amount is limited to One Thousand Dollars (\$1,000.00) and cannot exceed the yearly maximum.

- (ii) Increase of the regular payment up to twenty percent (20%) of the Principal and Interest payment provided in this Deed:

This option may be exercised once during each year of the term of the Loan.

The request must be made by the Borrower at least five (5) days before the next Instalment Payment Date on which the increase in the payment amount is to be in effect.

This prepayment option is not available for loans having regular payments of interest only.

After each partial payment, the Borrower must continue to make his regular instalment payments.

B. Prepayment in Full

The Borrower may prepay the Loan only upon:

- (i) *Fixed Interest Rate Loans – Term 5 years or less*

if the Borrower has a fixed interest rate on the Loan and a term of five (5) years or less, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) calculated on the outstanding amount of the Loan for the remaining term of the Loan or three (3) months interest calculated on the outstanding amount of the Loan;

- (ii) *Fixed Interest Rate Loans – Term more than five (5) years*

if the Borrower has a fixed interest rate on the Loan and a term greater than five (5) years and

- (a) prepayment occurs within the first five (5) years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) calculated on the outstanding amount of the Loan for the remaining term of the Loan or three (3) months interest calculated on the outstanding amount of the Loan, and
- (b) if prepayment occurs after the first five (5) years of the term, payment of a prepayment charge of three (3) months

interest calculated on the outstanding amount of the Loan;
or,

(iii) *Adjustable Interest Rate Loans*

if the Borrower has an adjustable rate on the Loan, payment of a prepayment charge equal to three (3) months interest calculated on the outstanding amount of the Loan.

In this section "IRD" means the difference between the interest rate on the Loan and the then current interest rate for a hypothecary loan then offered by the Lender for a term closest to the term remaining on the Loan, as determined by the Lender.

C. Portable Loan

If the Borrower has a firm agreement for the purchase of a new property then subject to Lender's approval, the Borrower may without penalty transfer the Loan amount to the new property or may combine the Loan amount with additional funds to purchase the new property. The Borrower and the new property must be re-qualified and satisfy underwriting guidelines of the Lender. The new property must be in a province in which the Lender is registered to conduct business. The Borrower will pay all legal cost to discharge the hypothec and to prepare and register the replacement hypothec on the new property and the Lender's servicing fee.

If the Borrower transfers the Loan amount, the terms and conditions of the Loan will remain the same. If the Borrower combines the Loan amount with additional funds, the interest rate on the Loan will be

(i) Fixed Interest Rate

if the Loan has a fixed interest rate on the replacement Loan, a blend of the rate that the Borrower was paying on the Loan amount transferred and the rate applicable to the additional funds, as determined by the Lender; or,

(ii) Adjustable Interest Rate

if the Loan has an adjustable interest rate on the replacement Loan, the greater of the rate on the existing Loan and the then prevailing adjustable interest rate, as determined by the Lender.

If the port of the Loan has been approved by the Lender, the closing of the purchase of the new property may be up to thirty (30) days after the sale of the Property. On the closing of the sale of the Property, the Borrower must pay to the Lender the Loan amount and the applicable prepayment charge. The prepayment charge will be returned to the Borrower on the closing of the purchase of the new property and registration of the replacement hypothec, provided all approval requirements of the Lender have been adhered to.

D. Assumption of the Loan if the Property is sold

- (i) If the Borrower transfers title, or agrees to transfer title, to Property to anyone without first obtaining written approval of the Lender, the Lender may require the Borrower to pay the Loan amount together with the applicable prepayment charge immediately in full. If the Lender accepts any payment from any person who it has not first approved in writing, this does not mean that the Lender has granted its prior written approval or that it has given up its right to require the Borrower to pay the Loan amount immediately in full.
- (ii) The Borrower agrees to give the Lender sufficient information to enable the Lender to decide whether it should give its written approval. Once it receives this information, the Lender will make its decision as soon as possible. The Lender will not unreasonably withhold its approval.
- (iii) For each request for approval of an assumption, there may be an administration and processing fee. The Borrower must pay the Lender these fees immediately, whether or not the Lender approves the assumption.
- (iv) The Lender releases the Borrower from his obligations under the Loan and to pay the Loan amount, and, if applicable, the Lender releases any surety from their suretyship, if: (a) the Lender gives its written approval to the Borrower to transfer title to the Property; (b) the transfer is to a person or persons other than the Borrower so that the Borrower will not retain any ownership interest in the Property after the transfer of title takes place; and (c) the Borrower provides the Lender with proof of registration of a Deed of Transfer to the approved person or persons, and, if the Lender requests it, one or more assumption or suretyship agreements.

E. Match a Payment and Miss a Payment Option

The Borrower may match any regular payment on a Instalment Payment Date as long as the Loan is not in default. Match a Payment means that the Borrower has prepaid an amount equal to its regular instalment payment and is subject to the yearly maximum partial prepayment amount. The Borrower may miss any regular payment as long as it has already matched a payment earlier in the term and is not in default. Previous matched payments may not be used to miss a payment if the Loan is assumed by a subsequent purchaser.

F. Convertibility

Provided that the Borrower is not in default under the Loan, the Borrower may convert without payment of any prepayment charge as follows:

- (i) If the Loan is for a six (6) month closed or six (6) month open term, the Borrower may request the Lender to extend the term and

fix the interest rate for the Loan for a term which the Lender then offers which is one (1) year or greater at its interest rate then in effect for loans for the term which the Borrower selects; or

- (ii) If the interest rate of the Loan is an adjustable rates the Borrower may request the Lender to fix the interest rate for the Loan for a term at its interest rate then in effect for loans for a term which ends after the Balance Due Date.

In each case the Borrower must give the Lender his written request to convert or sign its conversion extension agreement at least ten (10) days before the Instalment Payment Date. The fixed interest rates that are in effect on the date that the Lender receives the written request or signed conversion and extension agreement will apply to the Loan. The amortization period of the Loan may not be changed on a conversion.

G. Renewal

The Borrower will be sent a renewal offer in advance of the Balance Due Date provided the Loan is not in default and the Borrower is in good standing as determined by the Lender. Renewals will be processed on the Balance Due Date at the lower of the rate of the renewal offer or the Lender's published mortgage rate in effect at the Balance Due Date. In the event that the Lender does not receive the signed renewal agreement from the Borrower at least two (2) days prior to the Balance Due Date, the Lender will auto renew the Loan to a six (6) month open term at its rate for such type of Loan. Such renewal will continue from time to time until the Lender receives a completed renewal agreement from the Borrower.

In the event the Loan is in default or the Lender determines that the Borrower is not in good standing, the Borrower will receive notification of its intent to not renew the Loan and that the Lender requires payment in full of the Loan amount on the Balance Due Date.

H. Cash Back

If the Borrower received a cash back amount or other incentive from the Lender upon advance of the Loan or the renewal of the Loan by way of a cash payment, an allowance, a gift certificate or voucher or a discount on the interest rate calculated over the term of the Loan or term of the renewal, the Borrower must on a prepayment in full, an early renewal or a conversion of the Loan pay back to the Lender in addition to any prepayment charge, a proportionate part of such cash back amount. The proportionate part is calculated by division of the cash back amount by the number of months in the term times the number of months remaining in the term (including the month in which the prepayment, early renewal or conversion is made).

5. HYPOTHEC

To secure the payment and performance of the Indebtedness, the performance of its obligations under the terms of the Loan and this Deed,

the Borrower hypothecates in favour of the Lender from this date the following properties to the extent of the following sum: • dollars (\$ •) in lawful Canadian currency; with interest thereon, from the date hereof, at the rate of twenty-five percent (25%) per annum calculated semi-annually and not in advance.

- A. The property or properties described in Section I of the Schedule forming part hereof;
- B. all corporeal and incorporeal property which, with respect to the Property, are covered by any of Articles 901 through 904 of the *Civil Code of Québec* (including all present and future constructions and works of a permanent nature, dependencies, accessions and appurtenances), as well as all present and future movable property that is incorporated, loses its individuality and ensures the utility of the Property and equipment that ensures the utility of the Property and is permanently physically attached or joined to the Property without losing its individuality or being incorporated (hereafter collectively referred to as the "**Equipment**"); and
- C. all rents, revenues and claims (hereinafter collectively referred to as the "**Rents**") that are or shall become payable under all present and future leases related to the Property or any part thereof, including amounts payable for any rights of emphyteusis, use or occupation in whole or in part; and
- D. all present and future indemnities paid or payable under insurance contracts covering the Property, the Equipment and any of the Rents (hereafter collectively referred to as the "**Insurance Indemnities**").

In this Deed, the expression "**Property**" refers collectively to the property set out or referred to in Paragraphs 5(A) and 5(B) above and the expression "**Hypothecated Property**" means the Property, Equipment, Rents and Insurance Indemnities collectively.

6. ADDITIONAL HYPOTHEC

The Borrower hypothecates the Hypothecated Property in favour of the Lender for an additional amount equal to twenty percent (20%) of the principal hypothec referred to in Section 5 of this Deed with interest thereon, from the date hereof, at the rate of twenty-five percent (25%) per annum calculated semi-annually and not in advance in order to secure the payment of all amounts due to the Lender under the Loan and this Deed and which are not secured by the principal hypothec and to further secure the Indebtedness.

7. DECLARATIONS

The Borrower declares and certifies to the Lender that:

- A. no taxes, including without limitation, assessments, rates, duties, charges, interest or penalties, general or special, levied on the Hypothecated Property or the Borrower by any federal, provincial, municipal, ecclesiastical, school or urban community authority (hereinafter referred to as "**Taxes**") are unpaid and overdue, consolidated or paid with subrogation;
- B. subject to Section 20, no repairs, alterations, renovations or construction have been carried out on the Property within the past six (6) months without being paid in full;
- C. no Equipment or appliance attached to the Property (including in particular elevators, electric and household appliances, and heating, air-conditioning, ventilation or maintenance systems) is encumbered with any prior claim, hypothec, instalment sales contract, sale with right of redemption or any other right; all such Equipment and appliances belong outright to the Borrower and form an integral part of the Property, have lost their individuality and ensure the usefulness of the Property or are permanently attached and physically joined to the Property and ensure its usefulness;
- D. the Property, constructions and works erected thereon belong outright to the Borrower by good and valid title, Rents have not been assigned or hypothecated to any third party and the Hypothecated Property is free of all charges, prior claims, hypothecs, rights or other encumbrances, including legal hypothecs of a syndicate of co-owners or legal construction hypothec, of any kind whatsoever, except, if applicable, those indicated in Section II of the Schedule hereto;
- E. the Hypothecated Property is not affected by any servitude or illegal view that has not been amended by a duly registered agreement, except those indicated in Section II of the Schedule forming part hereof;
- F. if the Borrower has acquired the Property and construction and works of a permanent nature erected thereon by deed of sale by mutual agreement, such deed of sale contains no resolatory clause of any kind whatsoever;
- G. neither the Borrower, nor anyone else to the Borrower's knowledge, has placed, stored, buried or disposed of any Toxic Materials on the Property, and to the best of the Borrower's knowledge and belief, after reasonable enquiry and investigation, no part of the Property or any adjoining land is, has ever been or will in the future be used to manufacture, refine, handle, treat, store, dispose of or otherwise deal with any hazardous substances except in compliance with all laws, regulations and orders; and no part of the Property contains, has ever contained or will in the future contain any hazardous substance, which may

lower the value of or adversely affect the marketability of the Property. The Lender may, but is not obligated to, require the Borrower, at the Borrower's expense, to obtain an environmental audit of all or any part of the Property, which environmental audit shall be satisfactory to the Lender, but such audit does not relieve the Borrower from the Borrower's obligation under this clause.

In this Deed, the expression "**Toxic Materials**" means both (a) any pollutant or contaminant within the meaning *Environment Quality Act* (Québec) and its regulations and (b) any toxic substance within the meaning of the *Canadian Environmental Protection Act* and its regulations.

- H. execution of this Deed, performance of its obligations and observance of the provisions hereof will not entail any violation or default under the terms of any other deed or document setting forth or securing other debts contracted by the Borrower, nor enter into conflict with such other deed or document; and
- I. the current civil status of the Borrower is correctly described in Section III of the Schedule hereto.
- J. the Property is not used by the Borrower as its family residence within the meaning of Article 401 and following of the *Civil Code of Québec* and no declaration of family residence has been signed by the Borrower.

[OR]

the Property is used by the Borrower as its family residence within the meaning of Article 401 and following of the *Civil Code of Québec* and a declaration of family residence has been signed by the Borrower and registered at the Land Registry Office for the Registration division of _____ under number _____

8. RESTRICTIONS ON USE AND SALE OF THE PROPERTY

- A. The Borrower will not make any additions, alterations or improvements to the Property or use the Property for any business purposes without the prior written consent of the Lender. The Borrower may not use the Property for any illegal purposes.
- B. The Borrower will occupy the Property as his and his family's principal residence and will only rent to others all or any part of the Property in accordance with the Lender's prior written authorization. If the Lender authorizes the rental of all or part of the Property, the Borrower will do so for residential purposes only in a prudent businesslike manner at fair rents and in compliance with all applicable laws and regulations governing rental of property.

- C. The Borrower will not sell or otherwise dispose of the Property without prior written approval of the Lender.

9. NO OBLIGATION TO MAKE ADVANCES TO THE BORROWER UNDER THE LOAN

If the Lender decides, for any reason, that it does not wish to advance the entire amount of the Principal or any part of it to the Borrower then the Lender does not have to do so, even though this Deed has been signed or registered, and whether or not any part of the Principal has already been advanced.

10. HYPOTHECS OR PRIOR CLAIMS

From the time the Lender has an obligation to grant the Loan, and until the Borrower has repaid in full and performed all the Borrower's obligations hereunder, the Borrower may not at any time, directly or indirectly without the prior written consent of the Lender, create, assume, incur or permit the existence on the Hypothecated Property (as defined hereunder) of any prior claim, hypothec or charge of any kind whatsoever, ranking equal or prior to the hypothec granted hereunder. If, at any time, while any part of the Principal or interest remains unpaid, any hypothec or charge is registered against the Hypothecated Property or any action is taken to preserve such hypothec or charge, within ten (10) days, the Borrower shall free the Hypothecated Property from such hypothec or charge, and, to that end, the Lender shall have the right to pay the claim or free the Hypothecated Property of the hypothec or charge without prejudice to any other right of the Lender.

11. TAXES

The Borrower will ensure Taxes are always paid on time to the respective municipality. At its option, the Lender may decide to collect Taxes from the Borrower which the Lender will then remit to the municipality. If the Lender decides to collect Taxes from the Borrower, the following terms are applicable:

- A. The Borrower will make regular tax payments to the Lender on account of Taxes on each Instalment Payment Date. The amount of each regular tax payment will be based on the Lender's estimate of a year's taxes on the Property next becoming due and payable and may change from time to time to reflect changes in the annual Taxes on the Property. The regular tax payments should enable the Lender to pay all Taxes on or before their annual due date. Or, if the Taxes are payable in instalments, the regular payments should enable the Lender to pay the full year's instalments of Taxes on or before the date on which the first instalment is due.
- B. If, however, the annual due date or the first instalment date for the payment of the Taxes is less than one year from the Interest Adjustment Date, the Borrower will pay the Lender equal regular

tax payments during that period and during the next twelve (12) months. These equal tax payments will be based on the Lender's estimate of the total Taxes payable for both periods so that the Lender will receive enough money from the Borrower to pay all Taxes for both of those periods.

- C. The Borrower will also pay the Lender, on demand, any amount by which the actual Taxes on the Property exceed the Lender's estimate of the taxes. Or, at its option, the Lender may increase the regular tax payment to cover this amount.
- D. The Lender will pay the Taxes from the regular payment it receives from the Borrower as long as the Borrower is not in default under the Loan. The Lender is not obliged to make tax payments on the dates they are due or more often than once a year. If the Borrower has not paid the Lender enough for Taxes, the Lender may still pay the Taxes. This will create a debit balance in the Borrower's tax account. Any debit balance is immediately payable by the Borrower. The Lender is under no obligation to advise the Borrower that a debit balance has been created. Debit balances are charged interest at the interest rate under the Loan.
- E. The Lender will not pay interest to the Borrower on any credit balance in the Borrower's tax account.
- F. If the Borrower fails to pay the Lender any amount when it is due, the Lender may apply the money in the tax account towards payment of such amount.
- G. The Lender can deduct from the total final advance of the Principal enough money to pay all Taxes due on or before the Interest Adjustment Date and which have not been paid on the date the final advance is made.
- H. The Borrower will immediately send the Lender all assessment notices, tax bills or tax notices which he receives.

12. INSURANCE

The Borrower will without delay insure, and keep insured, in the Lender's favour and until the Loan is repaid in full and the security constituted herein is discharged, all Hypothecated Property (including those which will be built in the future both during construction and afterwards) against loss or damage by fire and other perils usually covered in fire insurance policies and against any other perils that the Lender requests. Such insurance must be provided by a company approved by the Lender for the replacement cost of the buildings (the maximum amount for which the buildings can be insured) in Canadian dollars. The policy must be in form satisfactory to the Lender and must include extended perils coverage and a mortgage clause stating that loss is payable to the Lender. The

Borrower shall, at the Lender's request, transfer to the Lender all insurance policies and receipts he has on the buildings and any proceeds from that insurance.

If the Borrower does not:

- A. Maintain insurance on the Hypothecated Property that, in the Lender's opinion, complies with this paragraph;
- B. Deliver a copy of any insurance policy or receipt to the Lender at its request; or
- C. Provide the Lender with evidence, at its request, of any renewal or replacement of the insurance, at least fifteen (15) full days before the insurance expires or is terminated,

the Lender can, but is not obliged to, insure any of the Hypothecated Property. What the Lender pays for this insurance shall be added to the amount owed under the Loan and shall bear interest at the interest rate provided herein. The Borrower will pay this amount with his next instalment payment. If any loss or damage occurs, the Borrower will provide the Lender immediately, at the Borrower's expense, with all necessary proofs of claim. The Borrower will also do all necessary acts to enable the Lender to obtain payment of insurance proceeds. The production of this Deed will be sufficient authority for an insurance company to pay the Lender any loss related to the insurance policy or to accept instructions from the Lender dealing with the loss.

Insurance proceeds may, in whole or in part, at the Lender's option, be:

- a) Applied to rebuild or repair the Hypothecated Property;
- b) Paid to the Borrower;
- c) Paid to any other person who owns or did own the Property, as established by the registered title; or
- d) Applied, at the Lender's sole discretion, to reduce any part of the Loan amount, whether due or not yet due.

This Section 12 does not apply (and Paragraph 23F does apply) if the Property is a condominium unit.

13. KEEPING THE PROPERTY IN GOOD CONDITION

The Borrower shall keep the Property in good condition and make any repairs needed. The Borrower shall not do anything, or let anyone else do anything, that lowers the value of the Property. The Lender can inspect the Property at any reasonable time. If, in the Lender's opinion, the Borrower:

- A. Does not keep the Property in good condition; or

- B. Does or allows anything to be done that lowers the value of the Property;

the Lender can make any repairs or do any other thing the Lender thinks are advisable. The costs of any inspections and any repairs or actions that the Lender makes are immediately payable by the Borrower.

14. OTHER OBLIGATIONS OF THE BORROWER

The Borrower undertakes to:

- A. inform the Lender without delay in writing of any change in the contents of the declarations made in Section 7;
- B. obey all laws and regulations related to protection of the environment, whether they be federal, provincial or municipal. In particular, the Borrower agrees to:
 - i) obtain, where necessary, any certificate of authorization, permit, or attestation issued under such laws and regulations, and provide the Lender, upon request, with copies of the applications submitted to the authorities and copies of said certificates, permits or attestations;
 - ii) take the necessary steps to keep the Hypothecated Property in compliance with the standards set by such laws and regulations at all times and submit to the Lender, upon request, any certificate of conformity that may be issued in this respect;
 - iii) deliver to the Lender within two (2) days any notice, notice of non-compliance, *mise en demeure* (demand letter), complaint or order issued by any government, municipal, judicial, quasi-judicial, administrative or private agency relating to a violation, non-compliance, liability, by or of the Borrower, of, with or under any law, by-law or order;
 - iv) take the necessary steps immediately to correct the default and/or obtain the cancelling of their registration against the Hypothecated Property, as the case may be;
 - v) notify the Lender as soon as a civil or criminal case is brought against the Borrower as a result of the failure to comply with environmental obligations.
- C. pay any claim that might rank prior to the hypothec granted herein when such claim falls due;
- D. notify the Lender of any legal hypothec within (5) days of becoming aware of its publication and take all actions necessary to obtain the discharge of such legal hypothec within (30) thirty days;

- E. to obtain a renunciation to a legal hypothec in compliance with the form provided by the Lender, from all persons who are likely to register a hypothec by reason of the work requested by the owner of the Property or by reason of the materials or services that they supplied or prepared for such work;
- F. pay, no later than forty-five (45) days after their mailing, all electricity and natural gas bills the Borrower may receive;
- G. shall not allow the Property to remain unoccupied or unused;
- H. carry out any act and sign any document required to give full effect to the hypothec granted herein and ensure that it can at all times be set up against third parties. In particular, at the demand of the Lender, the Borrower shall sign any notice of renewal;
- I. indemnify the Lender and its officers, directors, employees, shareholders, and agents for any loss, damage, expenses and claims of any kind whatsoever relating to the Hypothecated Property, the Loan, or this Deed, in particular: (i) the costs incurred for a defence, counterclaim or cross action against third parties; and (ii) the costs or damages stemming from the settlement, with or without the consent of the Borrower, of a judicial action involving the Lender that the Borrower may incur or that may be claimed, directly or indirectly, because of a leak, spill, discharge, processing, dispersal or presence of Toxic Materials from the Property on land, in the atmosphere, in a water course or in any other place. This obligation of the Borrower shall subsist even after final payment of the Indebtedness to the Lender;
- J. provide the Lender with any information the Lender might reasonably request with respect to the Hypothecated Property or to verify whether the Borrower is complying with his undertakings and obligations hereunder. On reasonable request, the Borrower shall provide the Lender with a recent certificate of location addressed to the Lender. The Borrower shall inform the Lender of any fact or event likely to have an adverse effect on the value of the Hypothecated Property or the financial situation of the Borrower;
- K. keep the Equipment in good operating order at all times, except with regard to normal wear and deterioration, and, if the Equipment is destroyed or damaged in any manner whatsoever, the Borrower shall immediately see to its repair or replacement at the Borrower's own expense;
- L. not to allow any assignment of any leases present and future in favour of third parties;
- M. permit the Lender, at any reasonable time in the circumstances and at the expense of the Borrower, to examine, inspect or

evaluate the Hypothecated Property, allow access to the Hypothecated Property and provide at no cost to the Lender any further information which the latter may reasonably request from time to time with respect to the Hypothecated Property or the financial condition of the Borrower, or for the purpose of determining if the Borrower is in compliance with the Borrower's obligations toward the Lender. The Borrower shall keep the books and accounts that a prudent administrator would maintain in relation to the Rents and permit the Lender to examine such documents and obtain copies; and

- N. not to remove, without the prior written consent of the Lender, any Equipment (including in particular the heating apparatus, air conditioning equipment, elevators, fixtures and all other accessories) installed in the Property. Any new object that shall be placed therein shall become irrevocably immovable and may not be removed without the written consent of the Lender.

15. ADDITIONAL PROVISIONS FOR HYPOTHEC ON RENT

The Lender may, though it is not so obliged, directly or through a mandatory, recover Rents in accordance with the provisions of law, being understood that the Borrower undertakes to collaborate with the Lender or its mandatory to facilitate the collection or recovery of Rents; it may also exercise the rights pertaining to Rents particularly under circumstances where the consent of the owner of the Rents is required, without obtaining the agreement of the Borrower, giving the Borrower notice or demonstrating that the Borrower has been negligent or has refused to exercise such rights.

The Lender hereby authorizes the Borrower to collect the Rents. The Borrower shall collect the Rents in a diligent and proficient manner and undertakes to follow, in this respect, all instructions given to the Borrower by the Lender. The Borrower also undertakes to notify the Lender forthwith of any problem in collecting the Rents. Such authorization may be withdrawn at any time by the Lender in accordance with applicable law and the Lender may impute the sums so collected at its absolute discretion, without being bound to follow the rules regarding imputation of payments, once the costs of any kind incurred for collection (including reasonable compensation for the Lender at the regular rates in effect) have been paid in full. The Lender may also but shall not be obligated to grant extensions, accept or discharge security, grant discharges and cancellations and deal with any matter relating to Rents at its discretion, without the intervention or consent of the Borrower; the Lender shall not be liable for material damage or injury caused through its fault, or that of its employees or mandatory, other than an intentional or gross fault, in the collection and recovery of Rents or its failure to collect Rents, and shall be under no obligation to notify the Borrower of any irregularity in the payment of Rents by the tenants. If, after the withdrawal of authorization as aforesaid, amounts payable as Rent were paid to the Borrower, the latter, without restricting the remedies of the Lender against tenants, shall

receive such Rents as mandatory or depository and deliver same to the Lender upon receipt.

The Lender may apply any amounts received by it towards payment of all or part of the amounts secured hereunder, even if not yet exigible, including any fees, costs or other expenses incurred by the Lender and secured hereunder and may impute and apply such amounts towards payment of any part or parts of the amounts secured hereunder as the Lender at its sole discretion shall decide, and may change any imputation or application as it sees fit, the whole subject to the provisions hereof as to application of Insurance Indemnities.

The Borrower undertakes to notify the Lender immediately of any Rents present or future, which hereafter are or become secured by a hypothec or guaranteed by a third party in favour of the Borrower and to deliver to the Lender the leases or other documents now or hereafter constituting or evidencing the same.

16. DEFAULT

The hypothec granted hereunder shall become enforceable as soon as one of the following events takes place (individually, an "Event of Default"):

- A. if the Borrower does not pay all or part of the Indebtedness when such a payment is due and payable;
- B. if any one of the declarations set forth herein or any one of the declarations made by the Borrower in relation to obtaining or maintaining Loan prove to be false or misleading in any essential aspect:
- C. if the Hypothecated Property or any part thereof is subject to any measure of enforcement (including prior notice of exercise of a hypothecary right, seizure, proceeding in partition or any judicial proceeding which might affect the ownership of the Borrower or the rights of the Lender and withdrawal of authorization to collect claims) that is not withdrawn within ten (10) days, even if such measure is contested in good faith by the Borrower, unless, in the latter case, the Lender is satisfied that such measure will not have the effect of reducing or endangering the hypothec granted herein and the Borrower provides sufficient additional security in the opinion of the Lender to pay the full amount of such claim if it were to prove valid;
- D. if the Borrower sells, transfers, or otherwise alienates the Hypothecated Property in full or in part without the prior written consent of the Lender;
- E. if the Borrower or the Surety, if any, makes an assignment for the benefit of its creditors, or becomes subject to the provisions of the *Bankruptcy and Insolvency Act* (Canada) or any other legislation

respecting bankruptcy or insolvency or if any action is commenced or notice given with a view to rendering or declaring the Borrower or the Surety insolvent or bankrupt or with a view to liquidation;

- F. if a major adverse change or event should arise in the Borrower's financial situation which, viewed in a comprehensive or consolidated fashion, constitutes in the reasonable opinion of the Lender a severe deterioration in the financial position or prospects of the Borrower, which will be harmful or probably harmful to the ability of the Borrower to fulfil and faithfully perform any of the Borrower's covenants or obligations to the Lender, and if within fifteen (15) days of a written notice sent by the Lender for such purpose, the Borrower has not remedied or undertaken satisfactory measures, in the opinion of the Lender, to remedy such situation;
- G. if the Borrower fails to perform any one of the obligations or undertakings herein or provided in the Loan or any obligation of the Borrower required by the law;
- H. if part or all of the Property is expropriated;
- I. if a petition is instituted or a judgement rendered in favour of a company distributing natural gas, electricity or other public utilities allowing such company to receive part of the Rents for non-payment;
- J. if the Lender receives from any present or future surety of all or any of the obligations a notice purporting to terminate or limit such surety's liability under its surety;
- K. If the Hypothecated Property is abandoned;
- L. if any buildings being erected on the Property or any additions, alterations or improvements done to the Property remain unfinished without work being done on them for fifteen (15) consecutive days;
- M. if a lien, charge, encumbrance, hypothec or other security is registered against any of the Hypothecated Property;
- N. if the Lender discovers a defect in title to the Hypothecated Property that significantly reduces the Lender's security; or
- O. when the Borrower, the Surety or the Hypothecated Property is the object of a sequestration, liquidation, dissolution or similar order.

17. REMEDIES

A. Preliminary measures

- (i) If an Event of Default occurs, the Borrower loses the benefit of term and the Lender may terminate any obligation to grant credit or advances to the Borrower and may also declare exigible all the obligations of the Borrower that are not yet due, including the Indebtedness, interest and related costs and without any notice or demand by the Lender, the whole notwithstanding any provision to the contrary stipulated herein. The Borrower recognizes hereby that the declarations, undertakings and performance of all the obligations provided for herein constitute conditions in consideration of which the Lender has granted to the Borrower the benefit of term.
- (ii) The Borrower agrees to voluntarily surrender and cause any other person in possession of the Hypothecated Property to surrender to the Lender the Hypothecated Property at the latter's demand whenever the Lender is entitled to receive such surrender, and the Borrower agrees not to oppose any act by the Lender to take the Hypothecated Property surrendered by the Borrower. The Borrower shall also diligently sign any documents and deeds of transfer necessary to surrender the Hypothecated Property to the Lender.

B. Recourses of the Lender

When there is an Event of Default, the Lender may, without notice;

- (i) exercise its right to institute a personal action;
- (ii) exercise the hypothecary rights permitted by law;
- (iii) exercise any other right it possesses by virtue of this Deed or by law;
- (iv) take any other measure provided by law or this Deed for the exercise of its right to have performance of the obligation;

and in all cases, the Lender is entitled to the payment of the costs incurred.

C. Cumulative Rights

The exercise by the Lender of any of its rights in virtue of this Deed or by law does not preclude it from exercising any other rights which it possesses.

D. Exercise of Rights

Whatever the hypothecary right the Lender may choose to exercise, the following measures shall apply:

- (i) for the purpose of protecting or realizing the value of the Hypothecated Property, at the Borrower's expense, the Lender may, without obligation:
 - (a) dispose of the Hypothecated Property if it is likely to depreciate rapidly or perish;
 - (b) use the information obtained when exercising its rights;
 - (c) perform any one of the Borrower's obligations;
 - (d) exercise any right pertaining to the Hypothecated Property;
 - (e) use the premises where the Property is located; and
 - (f) use, at the Borrower's expense, all or any part of the Hypothecated Property;
- (ii) the Lender shall not be bound to render accounts to the Borrower except in accordance with the commercial practices and within the periods usually followed by the Lender, and the Lender shall not be bound to make an inventory, take out insurance or provide any other security and the Lender shall not be bound to make the Hypothecated Property productive or to conserve the same;
- (iii) the Lender itself may, directly or indirectly, acquire the Hypothecated Property;
- (iv) when exercising its rights, the Lender may waive any right to which the Borrower is entitled, even without consideration;
- (v) in the event that the Lender withdraws its hypothecary or other rights against the Hypothecated Property, if the Hypothecated Property has been surrendered to the Lender, the Lender may, at its discretion, return the Hypothecated Property, or what remains thereof, to the Borrower, without express or tacit warranty or representation, but without prejudice to its other rights or remedies.

Without restricting the hypothecary rights the Lender may exercise, if the Lender exercises the right of taking in payment and the Borrower, if the Borrower is so entitled, requires the Lender to proceed instead with the sale of the Hypothecated Property on which the Lender is exercising its right, the Borrower acknowledges that the Lender shall not be bound to abandon the remedy of taking in payment unless, before the delay granted for surrender expires, the Lender (i) has been given security it deems satisfactory to ensure that the sale shall be carried out at a price sufficiently high for the Lender's claim to be paid in full, (ii) has been reimbursed for the expenses incurred, and (iii) has been advanced the sums necessary for the sale of the Hypothecated Property.

If the Lender itself sells the Hypothecated Property, it shall not be required to obtain a prior evaluation from a third party.

The sale of the Hypothecated Property may be made without legal warranty on the part of the Lender or, as the Lender chooses, with total or partial exclusion of warranty.

The Borrower hereby recognizes that the Borrower's interests are best protected if the Lender acts in accordance with usual financial practices, depending on the circumstances.

E. Compensation to Lender

If the Loan amount so declared due and payable is paid prior to the Balance Due Date, the Borrower agrees to compensate the Lender by payment of a prepayment charge equal to three (3) months interest at the interest rate of the Loan. Where default continues to or is made after the Balance Due Date, the outstanding amount may only be paid upon payment of three (3) months interest on the Loan amount or three (3) months written notice in lieu thereof. The Borrower further agrees that the Lender may recover such prepayment charge from the proceeds of any sale of the Hypothecated property or other proceedings for enforcement of the security created in this Deed.

18. ADMINISTRATION BY THE LENDER

- A. The Lender, if it administers the Hypothecated Property, may, without being obliged, among other things:
- i) impute any amount received in accordance with the order provided in this Deed;
 - ii) sign any lease, service contract, management contract or renewal, cancel or resiliate them and execute any deed on behalf of the Borrower;
 - iii) maintain, repair or renovate the Hypothecated Property, undertake or complete all construction work at the Borrower's expense;
 - iv) waive any right which belongs to the Borrower with or without consideration;
 - v) reimburse on behalf of the Borrower any third person with claims against the Hypothecated Property; and
 - vi) delegate to a person designated by the Lender the exercise of its rights, in whole or in part and is authorized to disclose to such person any information it may have about the Borrower, the Surety or the Hypothecated Property.
- B. The Lender, if it administers the Hypothecated Property, is moreover not obliged to:

- i) conserve the destination or use of such property nor make it productive;
- ii) make an inventory, take out insurance or provide security;

and shall not be held liable for dilapidation of the Hypothecated Property or for any loss whatsoever.

19. DELAY IN ENFORCEMENT BY LENDER

No delay or extension of time granted by the Lender to the Borrower or any other person in exercising the enforcement of any of its rights under this Deed nor any agreement referred to in this Deed shall affect its rights to:

- A. Receive all payments that the Borrower is obliged to make to the Lender, when they are due and payable.
- B. Demand that the Borrower repays the Loan amount and all interest which is due and payable, upon any Event of Default.
- C. Have the Borrower comply with all of his obligations to the Lender under this Deed.
- D. Have any other person comply with the obligations that person has to the Lender under this Deed.

20. PROGRESS ADVANCE CONSTRUCTION LOAN TERMS

An improvement means any alteration, addition or repair to any building on the Property or any construction, erection or installation on the Property. If the purpose of the Loan is to finance an improvement via progress advances, the Borrower must so inform the Lender in writing immediately and before any advances are made under this Deed. The Borrower must also provide the Lender immediately with copies of all contracts and subcontracts relating to the improvement and any amendments to them. The Borrower agrees that any improvement shall be made only according to contracts, plans and specifications approved in writing by the Lender in advance. The Borrower must complete all such buildings or improvements as quickly as possible and provide the Lender with proof of payment of all contracts from time to time as the Lender requires. The Lender will make advances (part payments of the Principal) to the Borrower based on the progress of the improvement, until either completion and occupation or sale of the Property. The Lender will determine whether or not any advances will be made and when they will be made. Whatever the purpose of the Loan may be, the Lender may in its sole and absolute discretion hold back funds from advances until it is satisfied that the Borrower has complied with the foregoing provisions. The Borrower authorizes the Lender to provide information about the Loan to any person claiming a legal hypothec of construction on the Property.

Should the Borrower fail to pay for any fixtures or equipment installed as stipulated herein, the Lender shall be entitled to do so at the Borrower's expense. If, in the opinion of the Lender, the Borrower fails in any respect to perform any of the undertakings stipulated in this section, the Lender shall thereupon have the right to enter into such contracts and make such arrangements as it deems expedient for the completion of the building with its dependencies and appurtenances and the installation of such fixtures and equipment, and from time to time pay the amounts owing to builders, suppliers and other persons, all at the Borrower's expense.

21. RELEASING THE PROPERTY FROM THE HYPOTHEC

The Lender may establish the terms for releasing its security in all or part of the Hypothecated Property (that is, the Lender may discharge, or partially discharge, the Hypothecated Property) from the Loan whether it receives value for its release or not. If the Lender releases part of the Hypothecated Property from the security at any time, the rest of the Hypothecated Property will continue to secure the Loan amount. The Lender is only accountable for money actually received by it.

If the Property is subdivided before the Loan is repaid in full, the Loan will be secured by each part into which the Property is subdivided. This means that each part will secure repayment of the total amount, even if the Lender releases another part of the Property from the security created in this Deed.

The Lender can release the Borrower, any Surety, or any other person from performing any obligation contained in this Deed or any other security document, without releasing any part of the Hypothecated Property or any other security, and any such release shall not release any other person from the obligations in the Loan.

22. RENEWING OR OTHERWISE AMENDING THE LOAN

The Lender may from time to time enter into one or more written agreements with the Borrower (or with any one to whom the Property is transferred) to amend the Loan by extending the time for payment, renewing it or its term for further periods of time, changing the interest rate payable under this Deed or otherwise altering the provisions of this Deed. Whether or not there are any encumbrances on the Hypothecated Property in addition to the hypothecs created herein at the time the agreement is entered into, the Lender will in its sole discretion determine whether it is necessary or not to register the agreement on title in order to retain priority for these hypothecs, as amended, over any instrument registered after said hypothecs.

The Borrower or any person liable in any manner for payment or performance of any other terms of this Deed will not be released and will continue fully liable with or without notice, consent or agreement to any such renewal, extension or amendment.

23. SPECIAL CONDITIONS APPLICABLE TO DIVIDED CO-OWNERSHIP

The following conditions are applicable when the hypothec granted herein charges a fraction of a property constituting a residential condominium unit.

- A. The Borrower declares and warrants that the Hypothecated Property described below is one of the private portions of an immovable property held in divided co-ownership in accordance with Article 1038 and following of the *Civil Code of Québec*.
- B. The Borrowers hereby undertakes to respect and observe all the conditions of this Deed, and comply with all the requirements of the law regarding divided co-ownership and any amendments thereto, the provisions of the Declaration of Co-Ownership registered at the Land Registry Office of _____ under number _____ and any amendments thereto, and the management regulations and conditions applicable to the Hypothecated Property and any amendments thereto (collectively, the "**Condominium Requirements**").
- C. The Borrower will pay the common expenses for the Property to the syndicate of co-owners (the "**Syndicate**") on the due dates including any contribution to the contingency fund. Or, if the Lender exercises its right to collect the Borrower's contribution towards the common expenses from the Borrower, the Borrower will pay the same to the Lender upon being so notified. The Lender can accept a statement which appears to be issued by the Syndicate as conclusive evidence for the purpose of establishing the amounts of the common expenses and the dates on which those amounts are due.
- D. The Borrower will forward to the Lender any notices, assessments, by-laws, rules and financial statements of the Syndicate he receives (or is entitled to receive) from the Syndicate.
- E. The Borrower will maintain all improvements made to his unit and repair them after damage.
- F. Insurance — In addition to the insurance which the Syndicate must obtain, the Borrower must:
 - i) Insure all improvements which the Borrower or previous owners have made to the unit;
 - ii) Obtain insurance for those additional risks that the Lender requires;
 - iii) Insure the Borrower's common or other interest in buildings (whether presently existing or built in the future, both during

construction and afterwards) which are part of the condominium property or assets of the Syndicate if the Syndicate fails to insure the buildings or assets as required or if the Lender requires the Borrower to do so;

- iv) Assign his insurance policies to the Lender and (as far as permitted by law) his interest in the policies held by the Syndicate.
- v) Provide the Lender with proof that the required insurance is in force, as well as evidence of any renewal or replacement of the insurance, within fifteen (15) days before the insurance expires or is terminated.
- vi) Do all that is necessary to collect Insurance Indemnities.

Each of the insurance policies (and those of the Syndicate) must comply with the following:

- The property must be covered against destruction or damage by fire and other perils usually covered in fire insurance policies and against any other perils the Lender requires for its full replacement cost (the maximum amount for which it can be insured) in Canadian dollars;
- The insurance company and the terms of the policy must be satisfactory to the Lender.

If the Borrower fails to insure the Property as required in this Section 23, the Lender can, but is not obliged to, obtain any insurance which the Borrower is required to obtain. What the Lender pays for this insurance will immediately become payable by the Borrower to the Lender. If any loss or damage occurs, the Borrower, at his expense, will provide, on behalf of the Syndicate and the Borrower, the Lender immediately with all necessary proofs of claim. The Borrower will also do all necessary acts to enable the Lender to obtain payment of Insurance Indemnities. The Borrower will seek to ensure the full compliance by the Syndicate with its duties and obligations under the Condominium Requirements.

To the extent permitted by law, Insurance Indemnities may, in whole or in part, at the Lender's option:

- (a) Applied to rebuild or repair the damage to the Property;
- (b) Paid to the Borrower;
- (c) Paid to any other person who owns or did own the Property, as established by the registered title; or
- (d) Applied, at the Lender's sole discretion, to reduce any part of the Loan amount, whether due or not yet due.

G. The Borrower must pay certain other expenses — In addition to the Lender's other rights and remedies contained in this Deed, the Borrower will pay the Lender immediately all its expenses in relation to:

- Any by-law, resolution, rule or other matter (other than one for which only a vote of the majority present at the meeting is required);
- The enforcement of its right to have the Syndicate or any owner comply with the Condominium Requirements; and
- The Lender's exercising any voting rights the Lender may have.

Where the Lender's expenses relate to other units as well as to the Property, the amount the Borrower is required to pay will only be the expenses related to the Property as the Lender determines.

H. Voting and other rights — The Borrower authorizes the Lender to exercise his rights under the Condominium Requirements to vote, consent and dissent. The Borrower also authorizes the Lender to exercise his rights to:

- Demand the Syndicate purchase the Borrower's unit and common interest, where provided under the Condominium Requirements;
- Elect to have the value of the Borrower's unit and common interest or that of the condominium property determined by arbitration;
- Receive the Borrower's share of the Syndicate's assets and the proceeds from the sale of the Borrower's unit and common interest or of the condominium property or any part of the common elements.

If the Lender does not exercise the Borrower's rights, the Borrower may do so according to any instructions the Lender may give to him. Before making such a demand or election the Borrower must obtain Lender's prior written approval. The Borrower must do this even if the Lender does not have the right to make the demand or election as between the Lender and the Syndicate, and even if the Lender had previously arranged for the Borrower to exercise that right.

Nothing done under this Section 23 shall be deemed to put the Lender in possession of the Hypothecated Property. The Lender is not liable for any action the Lender may take in doing what the Borrower has authorized the Lender to do or for any failure to act. The Lender may at any time revoke any arrangement the Lender makes for the Borrower to do anything the Borrower has authorized the Lender to do.

- I. The Lender's additional rights under this Deed — The Borrower authorizes the Lender to do the following:
 - i. Inspect the Property at any reasonable time.
 - ii. Do any needed maintenance or repairs after damage.
 - iii. Inspect the Syndicate's records.
 - iv. Remedy any failure of the Borrower to comply with the Condominium Requirements.

- J. Repayment of the Loan amount may be accelerated — The Loan amount will become payable immediately, at the Lender's option, if:
 - i. The Syndicate fails to comply with the Condominium Requirements;
 - ii. The Syndicate fails to:
 - insure all the condominium units and common elements according to law and according to any additional requirements of the Lender;
 - insure its assets if the Lender so requires and according to the Lender's requirements;
 - provide the Lender with proof that the insurance is in force, if the Lender asks for it; or
 - do all that is necessary to collect Insurance Indemnities;
 - iii. The Syndicate does not, in the Lender's opinion, manage the condominium property and assets in a careful way;
 - iv. The Syndicate fails to keep its assets in good repair and working order;
 - v. The Syndicate makes any substantial modification to the common elements or its assets without the Lender's approval;
 - vi. There has been substantial damage and the owners have voted for termination of the condominium;
 - vii. A sale of the condominium property or any part of the common elements is authorized;
 - viii. The government of the Condominium Property pursuant to the Condominium Requirements is terminated or the Syndicate is dissolved.

The Lender's rights will not be affected by the fact that the Lender has voted for or consented to such termination, sale or order or to the condominium property not being governed by the Condominium Requirements.

K. Termination of the Syndicate — If the Property ceases to be governed by the Condominium Requirements:

- All the terms of this Deed continue to apply;
- The Borrower authorizes the Lender to agree with anyone to a partition of the condominium property. The Lender can pay or receive money to ensure that the partition is equal and the Borrower will reimburse the Lender, immediately, for any money the Lender has paid. The Lender can also execute all documents and do all acts needed to carry out the partition;
- The Borrower's share of the Syndicate's assets and the proceeds from the sale of his unit and common interest or of the condominium property or any part of the common elements shall be paid to the Lender (unless the Lender notifies the Borrower to the contrary in writing) and the Borrower will do all things necessary to accomplish this; and
- Any money received by the Lender (after payment of all its expenses) may be applied to reduce any part of the Loan amount. Any balance remaining after all claims have been satisfied will be paid to the Borrower.

24. DISCHARGE

When its interest in the Hypothecated Property comes to an end, the Lender will provide, at its sole discretion, either a full discharge of its claim or a written confirmation that its claim has been discharged. The Borrower will give the Lender a reasonable time in which to prepare such documents and the Borrower will pay its usual administrative fee for preparing, reviewing, signing or registering the discharge document and all legal and other expenses that the Lender incurs in so doing. In the event the Lender provides the Borrower with a discharge document, the Borrower will be responsible for registering the documentation and for all costs relating to such registration.

If the Lender's interest in the Hypothecated Property comes to an end and the Borrower requests that the Lender assign the Loan, the Lender will prepare an assignment to the Loan for the Borrower. The Borrower will give the Lender a reasonable time in which to prepare and sign the assignment and the Borrower will pay the Lender's usual administrative fee for preparing, reviewing and signing the documentation and all legal and other expenses the Lender incurs in so doing. The Borrower will be responsible for registering the documentation and for all costs relating to such registration. However, the Lender will not assign the Loan on the Borrower's direction and will only deliver a discharge of the security

hereby constituted where the Lender is or has been in possession of the Hypothecated Property following an Event of Default under this Deed.

25. FEES AND EXPENSES

A. Loan Transaction Costs.

The Borrower will reimburse the Lender, on demand, for all its expenses incurred in investigating the title to the Property and preparing and registering this Deed.

B. Servicing Fees.

The Borrower agrees to pay to the Lender servicing fees to cover its reasonable time and costs for administration of the Loan including without limitation, a fee or allowance for

- (a) administering the account for the collection and payment of Taxes, an annual fee;
- (b) dealing with each late or missed payment and for replacement of each cheque or other instrument not honoured when presented for payment, or any preauthorized payment which does not clear as scheduled,
- (c) preparing each information, arrears, reinstatement, discharge or other Loan statement, whether provided to the Borrower, its agents or solicitors or any other interested person,
- (d) processing each application to obtain the Lender's consent to assume the Loan or its approval or consent for any other matter required by this Deed whether or not approval or consent is provided or the matter is completed,
- (e) processing each extension, port, renewal, payment frequency change, restructuring or other amendment of this Deed, whether or not completed,
- (f) investigating status of any insurance, administering insurance cancellations and paying insurance premiums and dealing with insurance claims,
- (g) providing a copy or duplicate of documents from the Lender's file or an amortization schedule, a payment history, tax account history, audit verification and other services of a clerical nature including retrieval, copying, transmission and other charges,
- (h) investigating status of payments of Taxes and administering payment Taxes,
- (i) filing any application for registration in connection with the security hereby constituted or issuing or receiving any notice or

information, security status or acknowledgement request and conducting any required searches,

- (j) executing and delivering any discharge of the hypothec created in this Deed (notwithstanding that the discharge may have been prepared by the Borrower or other person on the Borrower's behalf),
- (k) generally, any matter connected with the proper administration of the Loan and Property including inquiring into compliance, dealing with or enforcing any obligation contained in this Deed and including, without limitation, with respect to taxes, condominium fees and matters, insurance, repair and construction, environmental matters, leases and other encumbrances, managing or selling the Property.

The Lender's servicing fees shall be the amounts established, disclosed and generally applied by the Lender from time to time and may be ascertained upon inquiry to the Lender.

C. Enforcement Costs.

The Borrower agrees to pay the Lender all amounts it expends and costs it incurs in any manner in connection with the Loan including, without limitation, expenses in relation to:

- (a) collecting payments under and enforcing and realizing the security hereby constituted;
- (b) defending or otherwise dealing with any action or proceeding in which the Lender by reason of the Loan may be a party or otherwise interested including without limitation any legal hypothec of construction or similar matter, any seizure or prosecution by police or other authority, any exercise of hypothecary rights, sale, redemption, assessment or other action or proceeding by any other creditor or any certificate of pending litigation or other title matter;
- (c) performing or complying with any of the Borrower's obligations under this Deed including, without restriction, those relating to insurance, condominium, repair and construction, leases, taxes, other hypothecs and prior claims and environmental matters.

All legal costs incurred by the Lender in dealing with compliance with any term and in enforcement of the security hereby constituted shall be paid by the Borrower in full (including legal fees for any court proceeding on a substantial indemnity basis).

D. Interest and Security for Fees and Costs.

All the above described fees and costs, allowances and expenses, shall bear interest at the interest rate of the Loan from the date incurred or

calculated by the Lender, shall be payable by the Borrower forthwith on demand.

26. SECURITIZATION

The Lender may, at its option, sell, assign or encumber the Borrower's loan to one or more third party(ies) without notice to the Borrower, any co-borrower non-owner, surety or any spouse signing this Deed and without requiring any consent. In such case, the Borrower agrees that the hypothec created hereunder shall continue to secure all amounts owing under this Deed. Once sold or assigned, the Borrower's loan may be repurchased by the Lender, whether or not it is in default. The Borrower and each co-borrower non-owner, surety and spouse executing this Deed hereby authorize and consent to the Lender or any other person having an interest in the Loan from time to time and their respective agents and advisors including any party retained to service the loan, releasing, disclosing and assigning any personal or other information (including financial information) with respect to the Borrower, any surety, co-borrower non-owner and their respective spouses, the Loan and the Hypothecated Property, regardless of the scope of distribution and to any such other person as may be required to complete, administer, realize, assign, securitize or otherwise deal with the Loan from time to time.

27. GENERAL PROVISIONS

- A. This Deed does not constitute novation and the hypothec granted hereunder is in addition to any other guarantee, hypothec or security the Lender may hold from time to time. All rights the Lender may have hereunder are distinct and cumulative and it is understood and agreed that none of such rights as the Lender may or may not exercise shall be deemed to set aside any other right the Lender may claim, or limit or otherwise prejudice any other legal or contractual right of the Lender.
- B. The Borrower shall be in default of the obligations hereunder by the mere lapse of time provided for, the expiry of the term or any other method permitted by law.
- C. The hypothec granted hereunder is a continuing security that subsists notwithstanding any fluctuation in the amount of the debt or obligations secured hereby. Any future obligation secured hereunder shall be deemed to be one under which the Borrower has undertaken a further obligation hereunder as provided for in Article 2797 of the *Civil Code of Quebec*.
- D. If several persons are designated as the Borrower, each of them shall be liable as solidary debtor for the obligations stipulated hereunder or any renewal or amendments thereto.
- E. The Lender is not bound to use more than reasonable diligence in the exercise of its rights or the performance of its obligations and it shall not be liable for material injury that may be caused through

its fault, or that of its employees or mandatory, other than an intentional or gross fault.

- F. The Lender shall have the right, at the expense of the Borrower, to perform all acts and things and to execute all documents as may be necessary to ensure that this Deed remains effective and opposable to third parties, including the execution and filing of any document required for the renewal hereof.
- G. The Lender may delegate to another person the exercise of its rights or performance of its obligations hereunder; in such cases, the Lender may provide such other person with any information about the Borrower or the Hypothecated Property. The Lender is appointed irrevocable mandatory of the Borrower with power of substitution for the purpose of taking any action or signing any writing, proxy or document it deems necessary for the exercise of its rights. The Borrower and Surety authorize the Lender to collect personal information concerning them, in particular financial information and any other information to ensure their solvency within the context of this Loan. The Borrower and Surety authorize the Lender to establish a file for these purposes.
- H. The rights conferred on the Lender hereunder shall extend to any successor of the Lender, including any entity resulting from the amalgamation of the Lender with any other entity.
- I. The effects or sums of money delivered or held by the Lender in application hereof may be invested as it sees fit without its being bound by the legal rules respecting the investment of the property of other persons.
- J. Neither the signature of this Deed nor the fact that the Lender has already granted part of the credit whose repayment is secured hereunder shall be deemed an obligation for the Lender to maintain such credit available or grant further credit. The Lender may, at its sole discretion and for any reason, decide not to advance to the Borrower all or any part of the principal amount referred to in this Deed. This applies even if the Deed of Loan has been registered and whether or not any part of the principal amount has previously been advanced. This Deed will continue to apply and secure the Loan and the Borrower's obligations in favour of the Lender and the Borrower agrees to reimburse the Lender, on demand of the Lender, all of the Lenders costs, including lawyers' fees (on a solicitor and client basis) and expenses, for investigating title to the Borrower's property and for registering this Deed.
- K. Any divisible obligation in favour of the Lender hereunder shall be performed in full, as if it were indivisible, by each heir or legal representative of any person responsible for such obligation.

- L. The Borrower shall be deemed responsible for performing all the obligations stipulated in this Deed, notwithstanding any total or partial alienation of the Hypothecated Property.
- M. Unless the context dictates otherwise, the term "Borrower" shall mean the Borrower as well as any subsequent owner of the Hypothecated Property and any other person who has in any manner assumed the Borrower's obligations to the Lender.
- N. Unless the context dictates otherwise, words in the singular imply the plural and those in the masculine include the feminine and vice versa.
- O. The Borrower declares that the Borrower has read this document and received adequate explanation of the nature and scope of the obligations under this Deed. The Deed corresponds to the form usually proposed to the Lender's customers.
- P. All notices sent by the Lender to the Borrower hereunder shall be valid if sent by regular mail to the Borrower's address indicated in Section IV of the Schedule hereto or any other address indicated in writing by the Borrower to the Lender in accordance herewith. Any notice, claim or *mise en demeure* (demand letter) to the Borrower may also be addressed to the Borrower's usual residence in the Judicial District of _____ or the Borrower's last address known to the Lender, in this District, unless the Lender could not locate the Borrower in such district, when any such notification, claim or *mise en demeure* (demand letter) may at its option be served on the Borrower at the Office of the Clerk of the Superior Court in such district, where in such a case the Borrower elects domicile for the purposes hereof.
- Q. The title deeds, certificates of location, insurance policies and other documents relating to the Property may be retained by the Lender until the repayment of the amounts secured hereunder.
- R. The terms and conditions hereof shall be governed and interpreted under the laws of the Province of Quebec.
- S. The Borrower expressly assumes all risks of force majeure, such that the Borrower shall be bound to timely execute each and every of its obligations under this deed notwithstanding the existence or occurrence of any event or circumstance constituting force majeure within the meaning of the second paragraph of Article 1470 of the *Civil Code of Québec*.

28. LANGUAGE

The Parties confirm their express wish that this Deed and all documents relating hereto, be drawn up in English. *Les parties aux présentes*

confirment leur volonté expresse de voir le présent acte et tous les documents s'y rattachant, rédigés en anglais.

29. CERTIFICATE OF LOCATION

The Borrower declares that the certificate of location prepared by _____, land surveyor, on _____, under number _____ of his/her minutes, describes the present state of the Property and no change has been made to the Property since that date.

30. INSPECTION

The Lender (including, in this section, Canada Mortgage and Housing Company or other mortgage insurer) may inspect the Property and the buildings on it when it considers it appropriate. The Lender may do this for any purpose but particularly to conduct environmental testing, site assessments, investigations or studies which the Lender considers necessary. The costs of any testing, assessment or study will be payable by the Borrower and the Borrower will pay the Lender the costs immediately after the Lender gives notice of them to the Borrower. If the Borrower does not pay the Lender when requested, the Lender can add the amounts to the outstanding balance under the Loan and they will bear interest at interest rate provide herein. If the Lender does the things permitted under this section, the Lender will not be considered to be in control of the Property.

31. EXPROPRIATION

If the entire Property is expropriated, the Loan amount will immediately become due and payable together with loss of interest.

If only a part of the Property is expropriated, the amount awarded to the Borrower for the partial expropriation will be paid to the Lender and the Lender will credit such amount to the Loan amount. If, in the Lender's sole opinion, the remainder of the Property does not constitute adequate security for the Loan amount, then the Loan amount, or such part of the Loan amount as the Lender may determine in its sole discretion, will immediately become due and payable together with loss of interest.

32. NATIONAL HOUSING ACT

All insured hypothecary loans are made in pursuance of the *National Housing Act* (Canada).

33. CO-BORROWER NON-OWNER

The Co-Borrower Non-owner, _____, _____, declares having taken communication of these presents, declares himself satisfied therewith and recognizes to be a Co-Borrower with the Borrower herewith appointed, undertakes as solidary debtor with the Borrower and binds himself to pay the Principal, interest, interest on the interest and incidental costs, performs all the obligations of the Borrower hereunder, making of the

whole his/her personal affair. The Co-Borrower Non-owner obligates to advise the Lender of any change of address and hereby waives the benefit of division and discussion. The Co-Borrower Non-Owner hereby acknowledges having received all useful information concerning the content, the terms and the conditions of this Deed, the Indebtedness and the progress made in performance thereof.

34. U.S.A. RESIDENTS

If the Borrower is or becomes a resident of the United States of America for tax purposes and the Lender is subject to a tax payable to the government of the U.S.A. on the interest the Lender receives through the payments of the Borrower under the Loan, the interest rate on the Loan amount will be increased by multiplying by a factor of 1.1111 to offset the Lender's obligations in that regard. This factor may change any time if the government of the U.S.A. makes a change in the amount of tax to be paid.

SURETY

, intervenant(s) in these presents (collectively referred as the "Surety") who, after having taken communication of these presents, declaring himself satisfied therewith, binds himself/herself as surety for each and every obligation contracted herein by the Borrower and with every other surety, as the case may be, and more particularly, for the payment of the sums due under the Loan and interest thereon and incidental costs, hereby binding himself/herself solidarily with the Borrower, making of the whole his/her personal affair. The Surety renounces to the benefit of division and discussion. Furthermore, the obligation of the Surety shall be indivisible in accordance with article 1520 Civil Code of Quebec.

The Surety hereby understands and agrees that the Lender can without lessening the Surety's liability and without obtaining the consent of or giving notice to the Surety:

- A. Grant any extensions of time for payment and extensions of the term of the Loan, including any renewals of the Loan or its term for further periods of time;
- B. Increase the rate of interest payable under the Loan, either during the initial term or in any subsequent renewal period;
- C. Release the whole or any part of the Hypothecated Property from the security constituted hereby;
- D. Otherwise deal with the Borrower, any other person (including any Surety), any security (including the hypothec constituted hereunder) or the Property, including releasing, realizing on or replacing any security the Lender may hold;

- E. Waive any provision of this Deed or change any of the terms hereof at any time during the initial term of the Loan or in any subsequent renewal period;

either before or after requiring payment from any person without affecting the suretyship. The Lender may require payment from any Surety without first trying to collect from the Borrower or any other person (including any Surety) or on any security (including the hypothec constituted hereunder).

The Surety also binds himself/herself to advise immediately the Lender by a written note for any change in his/her address. The Surety subordinates in favour of the Lender, all debts and obligations present or future of the Borrower to the Surety until full payment of the Principal and other amounts secured by this Deed to the Lender. The Surety hereby acknowledges having received all useful information concerning the content, the terms and the conditions of this Deed, the Indebtedness and the progress made in performance thereof. All obligations of any of the Surety shall also be those of the successors or personal representatives of the Surety and will not be altered by the bankruptcy of the Borrower or the Surety.

CONSENT OF SPOUSE AND HERETO INTERVENED

• , • , spouse of the Borrower, who confirms that her/his civil status and that of the Borrower are correctly described in section III of the Schedule forming part hereof and who, after examining the document, declares to have taken cognizance of this Deed and to have received from the undersigned Notary sufficient explanation of the nature and extent of the terms and conditions of this Deed and the obligations of the Borrower and the Lender deriving therefrom and the spouse consents thereto;

- A. confirms that the Property described in Section I of the Schedule forming part hereof is not used as a “family residence” within the meaning of Article 401 and following of the *Civil Code of Québec*; or
- B. if the Property is used as a “family residence” confirms that within the meaning of Article 401 and following of the *Civil Code of Québec*, no declaration of family residence has been registered against it; or
- C. if the Property is a “family residence” within the meaning of Article 401 and following of the *Civil Code of Québec*, and a declaration of family residence has been registered against it, agrees and confirms that the hypothecs, rights, privileges and recourses of the Lender hereunder shall take priority and be executory against the Property as if no such declaration had been registered and the Intervening Party hereby waives any rights that might result from any such present or future declaration registered against the Property.

D. in addition to his(her) obligations as surety, as the case may be, acknowledges and agrees that any attribution of a right of use or ownership in the Hypothecated Property in his(her) favour renders him(her) solidarily liable and without benefit of division or discussion for all the Borrower's obligations under this Deed.

SCHEDULE

SECTION I : Description of the Property

Address of the Property:

SECTION II : Existing charges and servitudes, if any, other than those in favour or to the benefit of the Lender

SECTION III : Matrimonial status of the Borrower (and spouse)

SECTION IV : Address of the Lender for sending payments and notices as per Paragraph 27 (P):

PARADIGM QUEST INC.,

Address of the Borrower for sending notices:

IN WITNESS WHEREOF:

In _____, Province of Quebec, on the date mentioned above, and entered it in the record of the undersigned under minute number _____ (_____)

AFTER due reading hereof, the parties have signed in the presence of the undersigned notary,

[BORROWER]

[CO-BORROWER NON-OWNER, if applicable]

[INTERVENING PARTY, signature line for each such party, as applicable]

COMPUTERSHARE TRUST COMPANY OF CANADA

By: _____

By: _____

Mtre , Notary