

CLOSED CHARGE/MORTGAGE CLAUSE

The chargor(s)/mortgagor(s) (the "Chargor(s)") acknowledge and agree that the terms of this charge/mortgage (this "Charge") do not permit prepayments. However, the Credit Union may permit prepayments on the terms set out below.

If the Chargor(s) wish to make a prepayment in full, and said payment is approved by the Credit Union, the Chargor(s) agree to pay to the Credit Union the unpaid balance of the line(s) of credit, loan(s) or other credit facilities (collectively, the "Loan(s)") secured by this Charge, all accrued interest on the Loan(s) and the amount of any refundable cash bonus(es) previously paid by the Credit Union to the Chargor(s) in connection with the Loan(s).

In addition, if the Chargor(s) wish to make a prepayment, and said payment is approved by the Credit Union, whether in full or otherwise, the Chargor(s) agree to pay to the Credit Union an additional amount as consideration for the Credit Union permitting the prepayment. The additional amount will be the greater of:

1. Three (3) months' interest; or
2. The interest rate differential.

EXAMPLE 1: THREE MONTHS' INTEREST

Follow these steps to estimate three (3) months' interest. In this example, the prepayment amount is \$100,000 and the interest rate is 9%.

EXAMPLE	STEPS
\$100,000	A The prepayment amount
9% (for calculation purposes 0.09)	B The interest rate
\$9,000	C Equals A x B (\$100,000 x 0.09 = \$9,000)
\$750	D Equals C divided by 12 (\$9,000/12 = \$750) (estimated one (1) month's interest)
\$2,250	E Equals D multiplied by 3 (\$750 x 3 = \$2,250) (estimated three (3) months' interest)

EXAMPLE 2: INTEREST RATE DIFFERENTIAL

Follow these steps to estimate the interest rate differential. In this example, the prepayment amount is \$100,000, the interest rate is 9%, which was 0.5% below the posted interest rate, at the time, and the current posted interest rate is 6.5%.

EXAMPLE	STEPS
9%	A The interest rate
6%	B The current posted interest rate, less the rate discount received, at the time (6.5% - 0.5% = 6%)
3% = 0.03	C Equals A - B, which is the difference between the interest rate and the current posted interest rate, less the rate discount received, at the time
\$100,000	D The prepayment amount
36 months	E The number of months remaining in the term
\$9,000	F Equals (C x D x E) / 12 (0.03 x \$100,000 x 36) / 12 = \$9,000 (estimated interest rate differential)

In this example, the interest rate differential (\$9,000) is greater than three (3) months' interest (\$2,250). As such, the Chargor(s) would be required to pay to the Credit Union the interest rate differential as consideration for the Credit Union permitting the prepayment.

The current posted interest rate is the interest rate for the posted term that is closest in length to the number of months remaining in the term.

This clause also applies during any subsequent renewal or extension of the term, unless modified by a written amending agreement between the Chargor(s) and the Credit Union.

INITIALS



PREPAYMENT PRIVILEGES

Despite the above, the following prepayment privileges will apply for the current term(s) of the Loan(s) secured by this Charge, and any subsequent renewal or extension of such term(s), unless modified by a written amending agreement between the Chargor(s) and the Credit Union:

1. If the Chargor(s) are not in default at the time of prepayment, the Chargor(s) will have the privilege of prepaying an additional principal amount, once in each one (1) year period commencing on the one (1) year anniversary date of the term. The Chargor(s) may prepay, on any instalment payment date, without notice or bonus, an additional principal amount not exceeding twenty per cent (20%) of the original principal amount. This privilege, when not exercised in a particular one (1) year period, is forfeited by the Chargor(s). It is not cumulative.
2. If the Chargor(s) are not in default at the time of prepayment, the Chargor(s) will have the privilege, once in each one (1) year period commencing on the one (1) year anniversary date of the term, of increasing the principal and interest portion of the instalment payment by up to twenty per cent (20%) of the original principal and interest portion of the instalment payment. This is done by giving written notice to the Credit Union at any time during such one (1) year period. The increase will become effective on the date of the next instalment payment following receipt by the Credit Union of the Chargor(s)' written notice, and will remain in effect until the end of the term. This privilege, when not exercised in a particular one (1) year period, is forfeited by the Chargor(s). It is not cumulative.

MEMBERSHIP IN GOOD STANDING CONDITION

The Chargor(s) covenant to maintain, at all times, the Chargor(s)' status as a member in good standing of the Credit Union in accordance with its by-laws and resolutions.

ACKNOWLEDGEMENT OF ASSIGNABILITY AND CONSENT TO THE DISCLOSURE OF PERSONAL INFORMATION

The Chargor(s) acknowledge that the Credit Union has the right to assign or transfer this Charge to any third party, at its discretion. The Chargor(s) also consent to the Credit Union disclosing to any potential assignee of this Charge all of the Chargor(s)' personal information that the Credit Union may have in its possession that is related to this Charge, for the purpose of enabling the potential assignee to determine whether or not it wishes to accept an assignment of this Charge. In the event this Charge is, in fact, assigned or transferred to a third party, the Chargor(s) consent to the Credit Union delivering to the assignee all of the Chargor(s)' personal information that the Credit Union may have in its possession that is related to this Charge, and its use by the assignee for all of the purposes for which a typical mortgagee may use it in the course of administering a portfolio of mortgages. All of the terms, conditions, undertakings and representations of this Charge will be binding upon and enure to the benefit of the Chargor(s) and the Credit Union and their respective heirs, estate trustees, successors and assigns.

Dated at: _____ on _____, 20____

Witness

Signature

Witness

Signature

Witness

Guarantor

Witness

Guarantor

