



GUARANTEE OF MORTGAGE

TERMS YOU NEED TO KNOW

In this document, the following terms have the following particular meanings:

- (a) **Borrower** means [insert borrowers names] , the person(s) we loaned money to and who will give us, or has given, the Mortgage to secure the Loan;
- (b) **Guarantee** means your agreement with us contained in this document;
- (c) **Guaranteed Amounts** means any sums of money that must be paid by the Borrower under the Mortgage, whether the sums of money are owing now or in the future, directly or indirectly, absolutely or contingently, and whether such amounts are due or not;
- (d) **Guaranteed Promises** means everything the Borrower agrees to do under the Mortgage, when it is required to be done;
- (e) **Guaranteed Obligations** refers collectively to the Borrower’s obligations to pay the Guaranteed Amounts and keep the Guaranteed Promises;
- (f) **Interest Rate** means the interest rate that applies to the Mortgage and the calculation of that rate as shown in the Registered Mortgage, as both may be amended from time to time. The Interest Rate and how it is calculated are shown in the Registered Mortgage. It is an annual rate. The following is a brief explanation of the Interest Rates that apply to three forms of Mortgage. These terms are explained more fully in the Registered Mortgage.

<i>Form of Mortgage</i>	<i>Applicable Interest Rate</i>	<i>Explanation</i>
Fixed Rate Mortgage	Fixed Interest Rate	This rate will not vary over the term of the Mortgage
Variable Rate Mortgage	Variable Interest Rate	This rate gets adjusted as the Prime Rate rises or falls
RateCapper Mortgage	Variable Interest Rate	Like a Variable Rate Mortgage, this rate can rise or fall, but will not rise above a set limit, known as the <i>RateCapper</i> Maximum Rate

At the date of this Guarantee, the Interest Rate is a

Complete as applicable and delete the inapplicable options. Include option 3 for RateCapper Mortgages only.

1. fixed rate of [REDACTED] % per year, calculated semi-annually not in advance.
2. variable rate equal to our Prime Rate [plus a premium] [less a discount] of [REDACTED] % per year, calculated monthly not in advance.
3. The RateCapper Maximum Rate is [REDACTED] % per year, calculated monthly not in advance.

- (g) **Loan** means all debts and liabilities payable to us by the Borrower under the Mortgage;
- (h) **Mortgage** means the legal agreement between us and the Borrower in which the Borrower gives us rights over the Property as collateral for the Loan described in the Mortgage. "Mortgage" also includes any other documents attached to the legal agreement as schedules, the Standard Charge Terms filed by Royal Bank of Canada as filing number [insert filing number of standard charge terms], and any document amending the Mortgage and any changes which may be made to that agreement from time to time. Here is a summary of the terms of the Mortgage as of the date of this Guarantee:

Principal Amount: \$ [REDACTED]
Initial term: [REDACTED]

- (i) **Outstanding Amount** means the total amount remaining to be paid on the Mortgage at any time, and it includes the portion of the Principal Amount that remains unpaid, interest, additional amounts advanced and amounts we have paid because the Borrower has not kept a Guaranteed Obligation;
- (j) **Prime Rate** means the annual rate of interest announced by Royal Bank of Canada from time to time as being a reference rate then in effect for determining interest rates on commercial loans made in Canadian currency in Canada. Our notices of the Prime Rate shall be conclusive;
- (k) **Principal Amount** means \$[insert principal amount], which is the amount that we originally lent to the Borrower;
- (l) **Property** means [insert municipal address]. This is the land described in the Mortgage, and includes any buildings constructed on the land and anything attached or fixed to the land or buildings. It also includes any future building, addition, attachments or fixtures (fixtures includes things such as furnaces) to the land or buildings;

- (m) **Registered Mortgage** means for the non-electronic paper based registration system, the Form 2 Charge/Mortgage of Land that the Borrower will sign or has signed to give us the Mortgage, or for the electronic registration system, the charge prepared in the electronic format and registered electronically under Part III of the *Land Registration Reform Act*;
- (n) **We, us and our** mean [insert name of mortgagee] , the financial institution making the Loan described in the Mortgage;
- (o) **You and your** mean every person who guarantees the Guaranteed Obligations under this Guarantee and includes each person who has signed or is bound by this Guarantee.

WHAT THE GUARANTEE COVERS

1. In return for our lending the Principal Amount to the Borrower, you agree to perform the Guaranteed Obligations in the manner set out in this Agreement if the Borrower does not do so. The Guaranteed Obligations include:

- (a) Payment of Guaranteed Amounts: You agree to pay to us the Guaranteed Amounts, including interest on the Outstanding Amount at the Interest Rate on the days and at the times the Borrower is required to pay them under the Mortgage; and
- (b) Performance of the Guaranteed Promises. You agree to keep all of the Borrower's other promises in the Mortgage.

INDIVIDUAL AND COLLECTIVE OBLIGATIONS

2. If there is more than one Guarantor, each Guarantor is jointly and severally liable with all the others for keeping all the Guaranteed Obligations. By way of explanation, the term "jointly and severally" means that if there is more than one Guarantor, each is collectively and individually liable with all others for keeping all the Guaranteed Obligations.

PRINCIPAL DEBTOR

3. If we cannot legally recover any Guaranteed Amounts from you as a guarantor of the Guaranteed Obligations, we still have the right to collect those amounts from you just as if we had loaned those amounts directly to you as a principal debtor. We can do this even if we cannot recover those amounts from the Borrower for any reason or if the Borrower does not owe us those amounts for any reason or has a valid defence against paying us. For example, if for any reason we are prevented from enforcing any of our rights against the Borrower under the Mortgage, such as the right to be paid the full Outstanding Amount immediately if the Borrower breaks any of the Guaranteed Obligations, you agree to pay us the amount that we would have been able to collect if we had been able to enforce our rights. However, by saying that we have the right to collect certain amounts from you as if we had loaned those amounts to you, we do

not intend to give you the same rights that a borrower would have against a lender. Instead, your legal defences against a claim under this Guarantee will still be the same as the defences that you would have as a guarantor, except for the defences that you have waived in this Guarantee.

RIGHT TO PREPAY

4. If the term of the Mortgage is more than five (5) years, the *Interest Act* (Canada) and the *Mortgages Act* (Ontario) permit the Borrower to prepay the Mortgage after more than five (5) years have passed from the date of the Mortgage, provided that three (3) months further interest is paid. You agree that if you or the Borrower ever take advantage of this prepayment right, the date of the Mortgage will be the date on which the term of the Mortgage started, but if the Mortgage is renewed or extended, you agree that the date of the Mortgage will then be the date of the renewal or the extension agreement and that the five year period will start to run from the date of the renewal or the extension agreement, not the original date, even though legally it is still considered to be the same Mortgage.

ACTIONS NOT TO AFFECT LIABILITY

5. This Guarantee will still be valid despite the fact that we take any of the following actions, and even if we have not told you beforehand or asked for your consent. We may:

- (a) give the Borrower more time to make the payments or perform any of the Guaranteed Obligations, or waive the Borrower's obligation to keep any of the Guaranteed Obligations;
- (b) extend or renew the term of the Mortgage, whether or not these extensions or renewals include a change in any of the Guaranteed Obligations, such as the interest rate, and whether or not these extensions or renewals are by way of a written agreement with the Borrower or otherwise (for example, if we automatically renew the Mortgage), and whether these extensions or renewals result in a new mortgage that completely replaces the Mortgage;
- (c) change the rate of interest in the Mortgage, either during the initial term or in any renewal or extension of the term, whether by increasing or decreasing the rate, changing the reference rate by which the rate is calculated or changing from a fixed rate to a variable or floating rate or the reverse;
- (d) shorten or lengthen the amortization period of the Mortgage;
- (e) change any other Guaranteed Obligations in the Mortgage;
- (f) release all or any part of the Property described in the Mortgage or any other security for the Loan;
- (g) advance additional amounts of principal to the Borrower under the Mortgage;

- (h) permit the Borrower to prepay all or part of the Mortgage or to skip one or more regular payments or to make multiple payments on any scheduled payment date under the Mortgage, whether these pre-payments, skipped payments or multiple payments are allowed in the Mortgage or not;
- (i) accept any proposals or offers from the Borrower or otherwise deal with the Borrower or any other person (including you or any other guarantor), with any security, including the Mortgage, and with the Property described in the Mortgage and other security, as we see fit;
- (j) release or discharge a Borrower or any one of you or any other person who has guaranteed the Borrower's obligations under the Mortgage;
- (k) release any subsequent owner of the Property from any liability under the Guaranteed Obligations or not require any subsequent owner to assume any of these liabilities.

None of these actions will affect your promises under this Guarantee, even if these actions increase or otherwise change the Guaranteed Obligations or increase or change your risk under this Guarantee. When we use the term "Guaranteed Obligations", we mean both the original Guaranteed Obligations and the Guaranteed Obligations (including repayment of any additional amounts advanced to the Borrower under the Mortgage) after they have been changed or varied by any of the above actions, even if you have not consented to these changes and without any further action being necessary by the Borrower.

PROMISES UNAFFECTED

6. Your promises under this Guarantee will not be affected by any of the following:

- (a) the disability, legal incapacity or death of the Borrower or any other guarantor or person or you;
- (b) the fact that any of the Guaranteed Obligations in the Mortgage are not valid or legally binding;
- (c) any defect in title to the Property;
- (d) any release of the Guaranteed Obligations, unless payment in full has been received for all Outstanding Amounts and all Guaranteed Obligations have been satisfied;
- (e) we obtain a court order against the Borrower, or we take any steps (or fail to take any steps) to exercise our rights under or realize on the Mortgage, or we exercise any legal remedy or rights that we have acquired from or against the Borrower or any other person, their assets or other property or by us releasing or maintaining any security, right or remedy;

- (f) the change in any law which might affect any terms of the Mortgage or this Guarantee, or you or the Borrower;
- (g) any failure by us to enforce our rights under the Mortgage or other security;
- (h) any failure by us to take any steps necessary to make sure the Mortgage, or any other security relating to the Mortgage is enforceable or is perfected as against other creditors, and to exercise our rights, even if that failure is due to our neglect or otherwise;
- (i) any other actions, circumstances or occurrences, whether or not you receive notice about them, which may change your risk or the Guaranteed Obligations, or under which the law or equity would otherwise release you from the Guaranteed Obligations, even if they are not listed above.

Each of you signing this Guarantee understands and agrees that your promise to perform the Guaranteed Obligations is absolute and unconditional. This means that you will in all circumstances perform the Guaranteed Obligations as well as your other promises given in this Guarantee.

WAIVER OF SUBROGATION

7. Until all the Guaranteed Obligations have been fully and finally satisfied, you will not have the right to take over any of the legal rights that we have under the Guarantee, Mortgage or any other security agreement against the Borrower and you will not ask the Borrower to reimburse you for amounts you have paid out under this Guarantee. This means that you do not have the right to “stand in our shoes” and exercise our rights against the Borrower, even if you make a payment under the Guarantee, and you will not be able to recover anything from the Borrower, until we are paid in full by the Borrower and the Borrower has kept all of his/her/its Guaranteed Obligations.

CONTINUING GUARANTEE

8. You will remain responsible for payment and performance of the Guaranteed Obligations if, after you have paid us a Guaranteed Amount or kept a Guaranteed Promise, your payment or performance is cancelled or taken back from us for any reason, including your bankruptcy or insolvency or the bankruptcy or insolvency of the Borrower.

NO OBLIGATION TO ENFORCE

9. We can demand payment or performance of the Guaranteed Obligations from you at any time before we try to get the Borrower to keep any Guaranteed Obligation or make any payments. You agree to make payment and to perform the Guaranteed Obligations independently of any other promises you or anyone else has given us and you do not have the right to ask us to look to the Borrower, the Property, any of the Borrower’s other property or any other person in satisfaction of the Guaranteed Obligations.

If there is more than one Guarantor, each is liable for keeping all the Guaranteed Obligations and you do not have the right to pay only a pro rated share of the Guaranteed Obligations.

TERMINATION OF LIABILITIES

10. Your liabilities under the Guarantee will continue if the Borrower sells the Property, unless we decide at our discretion to release you from your performance of the Guaranteed Obligations.

INDEMNITY

11. You agree to indemnify and reimburse us for all losses, damages, costs and expenses we may suffer or incur by reason of:

- (a) the Borrower's failure to pay any amount under the Mortgage, even if the Borrower has a good defence against us or a valid reason for not paying the amount to us;
- (b) the Borrower's failure to perform any of the Guaranteed Promises under the Mortgage or any other security for the Loan; or
- (c) any act, action or legal proceeding we may make or take in relation to the recovery of any sums of money that you owe us under this Guarantee or the performance of any of the Guaranteed Obligations.

This indemnity is different from the Guarantee that you have given us. It is not a guarantee, because it is a separate legal obligation to reimburse us for certain losses which we can enforce against you even if the Guarantee itself cannot be enforced.

WHO IS BOUND BY THIS GUARANTEE

12. This Guarantee binds every party who signs it, regardless of when the signature is written. The fact that one or more of the parties does not sign the Guarantee even though there is a signature line for such party does not invalidate the Guarantee for the parties who do sign.

SUCCESSORS AND ASSIGNS

13. Your obligations will also be those of your heirs, executors, administrators, personal legal representatives, successors and assigns. Your obligations will not be altered by either your bankruptcy or that of the Borrower.

CHOICE OF LAW

14. This Guarantee shall be governed by the laws of the Province of Ontario. Each of you agrees that the courts of Ontario shall have jurisdiction over each of you and over any matter arising out of this Guarantee.

PARTIAL INVALIDITY

15. If any provision of this Guarantee is illegal or unenforceable, it will not affect the validity or enforceability of the other provisions.

HEADINGS

16. Paragraph and section headings do not form part of this Guarantee, but are used only for easy and convenient reference. They do not affect the construction or interpretation of the Guarantee.

RECEIPT OF COPY

17. You acknowledge receipt of a copy of this Guarantee, the Mortgage and the Standard Charge Terms.

IN WITNESS WHEREOF each Guarantor has executed this Guarantee under seal on

_____ (month) (day) (year)

**SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF**

Witness

[Name of Guarantor]

Witness

[Name of Guarantor]

Witness

[Name of Guarantor]