



B2B Bank Dealer Services Arm's Length Mortgage Package

Send all pages of this original completed package to:

**B2B Bank Dealer Services,
Self-Directed Mortgage Department
199 Bay Street, Suite 610
PO Box 35 STN Commerce Court
Toronto ON M5L 0A3**

This package is not to be used for properties in Quebec.

B2B Bank Dealer Services includes B2B Bank Financial Services Inc. (an MFDA member), B2B Bank Securities Services Inc. (an IIROC member, Member - Canadian Investor Protection Fund) and B2B Bank Intermediary Services Inc. (an AMF-regulated dealer operating in Quebec). B2B Bank is a trade-mark used under license.



Planholder initials

**B2B Bank Dealer Services
Arm's Length Mortgage Package**

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The enclosed general information package contains information required to fund and/or renew an arm's-length mortgage out of the proceeds of your RRSP held at B2B Bank Dealer Services.

1. PROFESSIONAL INVESTMENT ADVICE RECOMMENDED

We strongly advise that you obtain all the information necessary to make an informed investment decision. In particular, you should obtain information on:

- the investment itself - including the fair market value of the property (by a recent independent appraisal), the value of the mortgage and any other existing mortgages on the property, the risks associated with your investment and your ability to recover your capital;
- the mortgagor - in particular, the mortgagor's credit rating and ability to make payments under the mortgage;
- any continuing responsibilities or obligations of the mortgagor or the mortgage broker after your investment has been made; and
- all of the risks associated with making a mortgage investment.

If you have any questions or doubts about a particular mortgage investment, you should seek the advice of a qualified and independent professional.

IMPORTANT NOTICE:

B2B Bank Financial Services Inc., B2B Bank Securities Services Inc., B2B Bank Intermediary Services Inc. (together as "B2B Bank Dealer Services"), B2B Trustco, and their affiliates do not authorize their employees or agents to give such advice to investors, and does not authorize any other person to do so on its behalf. The accepting of your instructions in respect of an investment in no way should be taken as an endorsement that the investment is sound or appropriate.

2. MORTGAGE TERMS

You are solely responsible for determining the terms and conditions of the mortgage. It will be your responsibility to ascertain the credit worthiness of the mortgagor, the value of the property and the mortgagor's equity in the property and all other matters relevant to your decision to make the mortgage investment.

You must retain the services of a lawyer to prepare the mortgage documents and to disburse the mortgage proceeds. Should the lawyer also represent the mortgagor, we strongly advise you to retain an independent lawyer to advise you on your transaction.

3. MORTGAGE RRSP QUALIFICATIONS

To hold an arm's-length mortgage in your RRSP as a qualified investment, you must meet all of the requirements of the *Income Tax Act*, as amended from time to time.

In general:

- Mortgages of residential and commercial real estate are acceptable.
- Chattel mortgages, collateral mortgages, and promissory notes are not qualified for RRSP investments.
- You must be at arm's-length from the mortgagor, meaning that:
 - you must not be related to the mortgagor by blood, marriage/common-law or adoption, and
 - the mortgagor cannot be a company owned or controlled by you or a person related to you.

- The mortgage must be on property situated in Canada (except Quebec; see below).

In addition to any legislative requirements, we also require that any arm's-length mortgage that you wish to hold in your account as a qualified investment meets the following additional requirements:

- Only first and second mortgages will be accepted by us, regardless of what is deemed to be a qualified investment under the *Income Tax Act*.
- Your loan to value ratio must be no more than 100% - this means that your mortgage loan cannot be for more than the appraised value of the property in question at the time of acquisition.
- The minimum acceptable mortgage payment frequency is monthly.
- Interest only payments are not allowed.
- Hypothecary loans secured by immovable hypothecs on properties in the province of Quebec cannot be held in a B2B Bank Dealer Services registered account.
- Liquidity requirements: For us to accept the mortgage in your RRSP, you must have the following amount of liquid assets in your account:

50% of the value of the mortgage for mortgage loans held in an RRSP

75% of the value of the mortgage for mortgage loans held in a rolled over RRIF/LIF/PRIF/RLIF

These liquidity requirements last throughout the life of the mortgage and are not just applicable upon funding which means that ongoing monitoring by you is required.

- New mortgages cannot be funded in LIRA, RRIF, LIF, PRIF or RLIF accounts. The only mortgages allowed in these accounts are those that were originally funded into an RRSP or LIRA account that are rolled into RRIF, LIF, PRIF or RLIF accounts.
- We do not accept cheques for mortgage payments. Only electronic payments will be accepted (i.e. Pre-Authorized Debit (PAD) payments).

We reserve the right to question, and subsequently refuse, at our sole discretion, any mortgage we consider unacceptable for placement in your account. You agree to provide us with any and all information that we may reasonably request in this regard.

4. ADMINISTRATION

We are responsible for collecting and crediting payments made by the mortgagor on the mortgage to your B2B Bank Dealer Services RRSP.

- We do not accept post-dated cheques for any reason.
- We do not accept any form of payment from a third-party (with the exception of one from a solicitor's trust account).
- If legal action or the courts have directed a third-party to administer a mortgage, we must be in receipt of all documents relevant to the legal action or court order for review and our approval.
- If a Pre-Authorized Debit (PAD) is returned (i.e. NSF) by the mortgagor's bank we will stop the PAD.
 - In order to restart the PAD we require written instructions from the mortgagor(s) to debit their bank account for the missed payment(s) and written authorization from you to accept the instructions.
- To accept any missed payments we require:
 - Written authorization from you to accept the payment of any arrears.
 - Written authorization from the mortgagor to debit their bank account for the missed payment(s).

You are responsible for:

- Ascertaining the credit worthiness of the mortgagor, the value of the property and the mortgagor's equity in the property and all other matters relevant to your decision to make the mortgage investment.

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- Negotiating the terms of the mortgage transaction.
- Instructing your solicitor to prepare the mortgage (or transfer of mortgage) documents and informing your solicitor of our requirements;
- Ensuring that the mortgage is properly prepared, signed and registered with the correct priority and that all the mutually agreed upon arrangements of the mortgage are clearly defined;
- Ensuring that mortgage payments are made directly to us through a Pre-Authorized Debit (PAD) from the mortgagor's bank account so that we may remit the appropriate sums to your RRSP;
- Ensuring that the property is adequately and properly insured at all times;
- Collecting payments in arrears;
- Instituting legal proceedings when necessary to recover monies owed by the mortgagor.
- Providing us with all documentation requested.
- Adhering to all other terms and conditions contained in the relevant B2B Bank Dealer Services Retirement Plan Application and Declaration of Trust

DEALING WITH THE MORTGAGOR:

You are responsible for conducting all communications with the mortgagor. You should advise your mortgagor how to contact you (or your agent/broker) for any information about the mortgage.

We will not engage or respond to the mortgagor and any communications or documents received by us from the mortgagor will be forwarded to you.

5. DOCUMENTATION AND FUNDING REQUIREMENTS

You must have sufficient funds in your B2B Bank Dealer Services RRSP in order to fund the mortgage and meet liquidity requirements. Should you require us to redeem existing assets in your RRSP, please allow at least ten (10) days for processing.

B2B Bank Dealer Services can only advance funds provided all documentation is received in good order. To do this, we require the following information a minimum of 4 days prior to the funding date (subject to processing volumes):

Pre-Funding of an Arm's-Length Mortgage

The entire B2B Bank Dealer Services Arm's-Length Mortgage Package that includes:

- The *Mortgage Direction and Undertaking* form completed and signed by you and witnessed;
- The *Mortgagor's Release and Indemnity*;
- The *Solicitor's Certificate of Disclosure and Undertaking* form completed and signed by both you and your solicitor;
- All pages initialed by you;
- If the mortgagor is a numbered company/corporation please supply a notarized list of principal holders, certificate of incumbency and the certificate of status (or the equivalent). Please also provide us with a statutory declaration that you do not hold a controlling interest in said mortgagor;
- An appraisal of the property by an approved appraiser that is no more than 12 months old OR a tax assessment of the property for the current year;
- A draft copy of your mortgage agreement from your solicitor. The mortgage should be registered as follows:

B2B TRUSTCO
in trust for
RRSP # _____

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Post Funding an Arm's-Length Mortgage

You must also provide us with a duplicate of the registered executed mortgage or registered executed assignment of mortgage document within thirty (30) days of the closing;

- Evidence of insurance coverage showing B2B Trustco as the loss payee;
- A signed B2B Bank Dealer Services Pre-Authorized Debit (PAD) agreement form signed by the mortgagor(s) and a VOID cheque.

You and your solicitor are solely responsible for the preparation and registration of the mortgage. Incorrect, illegible and incomplete documentation will be returned and could delay the mortgage advance or even result in us preventing you from holding the mortgage in or removing the mortgage altogether from, as the case may be, your B2B Bank Dealer Services RRSP account.

6. TRANSFER-IN OF AN EXISTING MORTGAGE

In addition to funding a new mortgage, you may also purchase all or part of an existing mortgage through your RRSP, including an arm's-length mortgage held by you outside of your RRSP that is a qualified investment under the *Income Tax Act* or an arm's length mortgage in an RRSP at another Financial Institution. Should you wish to do so, you need to provide us with the following documentation at least sixty (60) days prior to it maturing or coming up for renewal:

- The entire and completed B2B Bank Dealer Services Arm's-Length Mortgage Package
- A Transfer Authorization for Registered Investments (TARI), Direct Transfer form where applicable;
- A statement of the mortgage account showing that the mortgage is in good standing (payments are current) and the current balance;
- A copy of the original duplicate registered mortgage/charge;
- If the mortgage has been renewed, we require a copy of the latest renewal agreement;
- The Transfer/Assignment should be registered as follows:

B2B TRUSTCO
In trust for
RRSP # _____

Please note that you are solely responsible for the preparation and registration of the Assignment.

7. MATURITY, RENEWALS, TRANSFERS-OUT AND DISCHARGES

Notices will be sent to you approximately thirty (30) and sixty (60) days prior to the mortgage maturity date.

We will accept informal renewal agreements if signed by all parties concerned or you can choose to have your solicitor draw up an Amending and/or Extending Agreement for the mortgagor(s) and/or guarantor(s) to sign. We will sign this agreement only upon receipt of a signed direction from you to do so.

Should you wish to discharge the mortgage, you must send us your request in writing. Upon receipt of the request, a discharge statement will be prepared and forwarded to you for approval.

To transfer-out a Transfer Authorization for Registered Investments (TARI) Direct Transfer form, where applicable, a Letter of Acceptance from the receiving institution and if applicable a cheque to cover fees if there is no cash or liquid asset in the account.

Please note that you are solely responsible for the preparation and registration of the discharge.

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8. MORTGAGE ARREARS AND LEGAL ACTION

Under the terms of the *Mortgage Direction and Undertaking* form completed and signed by you, you confirm that you are ultimately responsible for all collections of outstanding payments of arrears and for undertaking any legal actions, if warranted, to protect your mortgage security. You must therefore hire your own solicitor to act on your behalf and are responsible for all fees, disbursements and other expenses associated with any legal action taken. However, given that the name of B2B Trustco will appear on title, you must obtain our written authorization before proceeding.

Pursuant to the *Income Tax Act*, we are required to take reasonable steps to ensure that your mortgage investment remains a qualified investment under the Act. Should you decide for whatever reason not to undertake legal action to protect your mortgage security or refuse to do so upon receiving a notice to that effect from us, you hereby irrevocably authorize us to take whatever actions are necessary on your behalf, including liquidating the mortgage, in order to protect your mortgage security and/or to avoid any possible adverse tax consequences to either yourself or us. You further agree to, in advance of any legal action, compensate us for any fees, costs, expenses, penalties or charges incurred by us in connection with taking such actions and agree to reimburse or make up for any shortfall in the your Plan if proceeds from our actions prove to be insufficient. Finally, you acknowledge and accept that any actions taken by us on your behalf may adversely affect your security and could have tax consequences.

Legal action may not be an option in all cases. Should you wish to pursue other options, please direct your written correspondence to our office.

9. ADDRESS FOR SERVICE

If you need to contact us or send us any documents in relation to your mortgage investment, please use the contact information below:

**199 Bay Street, Suite 610
PO Box 35 STN Commerce Court
Toronto ON M5L 0A3
Phone: 416.964.0660
Toll Free Phone: 800.265.6424
Fax: 416.413.0593**

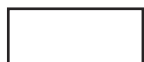
10. FEES

We charge you fees to hold a mortgage in your B2B Bank Dealer Services Registered Account. These fees are charged annually (May 1 to April 30) per RRSP account. The fees are not prorated and are entirely payable, whether or not the mortgage is administered for less than twelve months during any calendar year. The fees are not based on the amount of activity, value, quality or standing of a mortgage. If a mortgage is split between more than one account, the mortgage fees apply to each account even though the holder of the RRSP is the same.

We invite you to consult our current fee schedule at b2bbank.com/dealerservices. All fees are subject to applicable federal and provincial taxes and are subject to change.

11. FORMS

You will find on the following pages some of our most commonly-used forms.



Mortgage Direction & Undertaking Regarding Arm's-Length Mortgages as Investments in RRSP

To: B2B Trustco (the "Trustee")

Further to the Declaration of Trust made with respect to my RRSP # _____ ("my Plan"), I hereby authorize and direct the Trustee to invest funds held by my Plan in a new mortgage selected by me and described below (the "Mortgage").

I acknowledge that B2B Bank Financial Services Inc., B2B Bank Securities Services Inc., or B2B Bank Intermediary Services Inc. (together as "B2B Bank Dealer Services") act as agent for the Trustee in the administration of my RRSP and that any reference herein to the Trustee also refers to B2B Bank Dealer Services.

I understand that the Trustee is not obligated to accept my investment in an arm's-length mortgage. In consideration of the Trustee accepting the Mortgage as an asset of my Plan, I hereby agree to the following terms and conditions:

1. It is my sole and entire responsibility to verify and I represent to the Trustee, where applicable, that:
 - (a) The Mortgage is an "Arm's-Length" transaction as defined in the *Income Tax Act* (Canada);
 - (b) The Mortgage is a qualified investment as governed by the *Income Tax Act* (Canada);
 - (c) The Mortgage is a proper charge against the Land therein described and is adequately secured;
 - (d) All payments due on the Mortgage are made on the specified date as outlined in the mortgage document;
 - (e) All mortgage payments are paid directly to B2B Bank; and
 - (f) There is adequate fire/property insurance in place.

2. I do not rely and have not relied upon any representation made by the Trustee in deciding to invest funds in the Mortgage. **Without limiting the generality of the foregoing, I ALSO SPECIFICALLY UNDERSTAND AND REPRESENT TO THE TRUSTEE that I have not and cannot look to the Trustee, its affiliates, or any of their employees for advice as to:**
 - (a) Whether or not interest in the Mortgage constitute qualified investment for my Plan;
 - (b) Whether or not the underlying properties securing the Mortgage are adequate or will always be adequate; and
 - (c) Whether or not the interest in the Mortgage otherwise constitute a suitable investment for my Plan.

I understand and acknowledge that the Trustee and its employees are not in the business of giving investment advice and I hereby release and exonerate the Trustee from any liability and agree to indemnify and hold the Trustee, its employees and its affiliates harmless of all losses, expenses, liabilities, damages and claims of any kind or nature whatsoever which arises or may arise by reason of the choice of this investment.

3. I am ultimately responsible for administering and enforcing the Mortgage and, if necessary, undertaking legal action against the mortgagor to protect my security. In particular, I acknowledge and accept that
 - (a) I am responsible for paying any and all legal fees, costs, expenses or charges pertaining to such action. Any legal action or related document received by the Trustee will be forwarded by registered mail to my last address;
 - (b) given that the name of the Trustee will appear on title for the mortgage, I require the Trustee's authorization before I institute or respond to legal proceedings in connection with the Mortgage.

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- (c) the Trustee will be entitled to intervene, at its sole discretion, in any decision to be made with respect to the conduct of the legal action (including the choice of legal counsel);
 - (d) pursuant to the *Income Tax Act*, the Trustee is required to take reasonable steps to ensure that your mortgage investment remains a qualified investment under the Act. Should I decide for whatever reason not to undertake legal action to protect my mortgage security or refuse to do so upon receiving a notice to that effect from the Trustee, I hereby irrevocably authorize said Trustee to take whatever actions are necessary on my behalf, including liquidating the mortgage, in order to protect my mortgage security and/or to avoid any possible adverse tax consequences to either myself or the Trustee. I further agree to compensate the Trustee for any fees, costs, expenses, penalties or charges incurred by it in connection with taking such actions and agree to reimburse or make up for any shortfall in my Plan if proceeds from the Trustee's actions prove to be insufficient. I acknowledge and accept that any such action taken on my behalf as mentioned above may adversely affect my security and could have tax consequences.
 - (e) all funds received as the result of a legal action instituted by me or by the Trustee on my behalf will be deposited directly in my Plan;
4. The Trustee's obligation to me is limited to accounting to me from time to time for the amounts received by it in respect of the Mortgage. As such, except for gross negligence on its part, I hereby release and exonerate the Trustee and its affiliates from any liability and agree to indemnify them and save the Trustee harmless against all losses, liabilities, damages, and claims of any kind or nature whatsoever which arises or may arise by reason of it having acted in connection with the Mortgage.
5. I agree to pay all of the Trustee's fees associated with the holding of this Mortgage. I acknowledge that the mortgage fees charged by the Trustee are not pro-rated and are not based on the amount of activity, value, quality or standing of a mortgage.
6. I have received a copy of the Trustee guidelines regarding arm's-length mortgages and the current fee schedule.

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Having read and accepted the foregoing, I hereby direct the Trustee to advance the amount of \$_____ to:

Solicitor: _____ "in trust"

Address: _____

Phone number: _____

Fax number: _____

I attach hereto copy of a *Certificate of Disclosure and Undertaking* duly signed by this solicitor and myself.

If further advances are to be done to complete the total advance, they must be completed within 30 days from the 1st advance date. I enclose a draft copy of the mortgage and submit the information below. I accept that the Trustee is not responsible or liable for the draft approval as it is being used solely for information purposes.

Complete for In-Kind Transfers

Relinquishing Institution: _____ Account number: _____

Maturity date: _____ Amount to be transferred: _____
(TARI or T2033 must accompany this package)

RRSP Account No: _____

Mortgagor(s): _____

Property Address: _____

Face Value of Mortgage
(if different from amount advanced): _____

Discount Amount: _____

Is this discount amount prepaid interest? _____

Interest Rate: _____ %**

Interest Calculation Method: _____

Term of Mortgage
(maximum 5 years) _____

Amortization Period
(only up to 25 years Amortization accepted) _____

Payment Amount: _____

Payment Frequency: _____

First payment Date _____

Maturity Date: _____

Mortgage Position: _____ (1st or 2nd) Please circle one

****Maximum annual yield accepted by the Trustee, including the mortgage rate, bonus, discounts & lenders fees is 30% (subject to change without notice).**

I hereby confirm that I am aware of the nature of the Mortgage and its terms and conditions.

I acknowledge that I have been advised to seek independent legal or other professional advice before deciding to invest funds held in my Plan in the Mortgage and before signing this Direction and Undertaking.

Dated at _____ this _____ day of _____, 20_____

Client Name

Client Signature

Witness Name

Witness Signature

Planholder initials

MORTGAGOR'S RELEASE AND INDEMNITY

To: B2B Trustco (the "Trustee")

WHEREAS _____ (the "Mortgagor") desires to borrow
Name of Mortgagor

the amount of \$ _____ (the "Loan") and give as security for the Loan a mortgage on the following property (the "Mortgage"):

Address: _____

City/Province: _____

Whereas: _____ (the "Planholder") desires to
Name of Planholder

fund the Loan with funds held in his/her retirement savings plan or retirement income fund (the "RRSP"), at B2B Bank Financial Services Inc., B2B Bank Securities Services Inc., or B2B Bank Intermediary Services Inc. (together as "B2B Bank Dealer Services");

Please note that B2B Bank Financial Services Inc., B2B Bank Securities Services Inc., or B2B Bank Intermediary Services Inc. act as agent to the Trustee in the administration of the RRSP. Any reference herein to the Trustee also refers to B2B Bank Dealer Services.

WHEREAS the Mortgage is to be registered in the name of B2B Trustco;

WHEREAS the Trustee will provide only certain accounting services in connection with the Mortgage;

WHEREAS the Trustee is prepared to be named as registered mortgagee and provide such services in order to facilitate the Loan on the condition that the Mortgagor provides the present Release and Indemnity;

IN CONSIDERATION of the foregoing and other good and valuable consideration received by the Mortgagor, the Mortgagor hereby agrees as follows:

1. The Mortgagor undertakes not to institute any legal action against the Trustee or its affiliates in connection with the Mortgage, unless:
 - a) No monetary award or judgment is sought directly or indirectly from the Trustee or its affiliates. Any monetary award or judgment may only be sought from the Planholder who provides all instructions to the Trustee in connection with the Mortgage;
 - b) The Planholder is made a party to the action and is served with all notices, legal or not, required under the Mortgage or by law;
2. The Mortgagor releases and exonerates the Trustee and its affiliates from any liability and agrees to indemnify them and hold them harmless against all losses, liabilities, damages, and claims of any kind or nature whatsoever which arises or may arise by reason of their having acted in connection with the Mortgage.

Dated at _____ this _____ day of _____, 20_____

Name of Mortgagor

Signature of Mortgagor

Name of Witness

Signature of Witness

Planholder initials

Solicitor's Certificate of Disclosure and Undertaking Regarding Arm's-Length Mortgages as Investments in a Registered Plan

I, _____, of the firm of _____ practising in the City of _____, Province of, _____ acknowledge that my services have been retained by **(please initial appropriate box(es) if applicable and complete)**:

- The mortgagor, namely _____ and
- I have disclosed to the lender/investor that I do not represent him/her and cannot protect his/her interests in connection with this transaction and
- I have advised the lender/investor to seek independent legal advice, in accordance with the Rules of Professional Conduct of the Law Society of this province;
- The lender/investor, namely _____
- Both the mortgagor and the lender/investor named above; to prepare and register a 1st or 2nd **(circle one)** mortgage on the following property:

In favour of "B2B Trustco in trust for RRSP # _____"

- I have no interest, direct or indirect, in the mortgage or the property.

I understand that B2B Bank Financial Services Inc., B2B Bank Securities Services Inc., or B2B Bank Intermediary Services Inc. (together as "B2B Bank Dealer Services"), will, upon receipt of a duly executed "Mortgage Direction and Undertaking" from the lender/investor, advance funds to me, in trust, from the lender/investor's Registered Retirement Saving Plan or Registered Retirement Income Fund.

I undertake to hold these funds in escrow until registration on the appropriate Land Title Register of a valid and enforceable _____ **(rank)** mortgage on the property described above.

I further undertake to provide B2B Bank Dealer Services with a copy of the mortgage, duly registered, within 30 days of the advance of the funds to the mortgagor.

I acknowledge that this *Certificate of Disclosure and Undertaking* is a requirement of B2B Bank Dealer Services and B2B Trustco intended for the sole use and benefit of the lender/investor and further declare that I am not acting for B2B Bank Dealer Services or B2B Trustco, that I am not taking instructions from B2B Bank Dealer Services or B2B Trustco, and that B2B Bank Dealer Services, B2B Trustco, or their affiliates have no obligation towards me or the mortgagor in connection with this transaction.

If the transaction contemplated is not completed, I undertake to return the funds to B2B Bank Dealer Services, for deposit in the lender/investor RRSP.

Signed this _____ day of _____, 20_____

Solicitor's signature

I have read the foregoing and I am satisfied with its content. I understand that this certificate is required by B2B Bank Dealer Services and B2B Trustco for my benefit only and that B2B Bank Dealer Services and B2B Trustco make no representation as to the veracity and/or accuracy of its content nor has any obligation to make any verification or investigation in this regard.

Signed this _____ day of _____, 20_____

Lender/Investor's signature

Planholder initials