

If a brokerage borrows funds from an individual or corporation to meet the unimpaired working capital requirement for new brokerages, a separate Subordination Agreement must be completed by each party lending funds to the brokerage (ie. one lender per agreement).

In accordance with section 7-8(2)(c) of the Council Rules, the Council may require a brokerage to re-establish itself to a state of solvency. In order to achieve this, the brokerage may be required to borrow funds from an individual or corporation, and as a result, a Subordination Agreement will be required in order to ensure that specific levels of working capital are maintained by the brokerage.

Instructions

- (1) Complete the Name and Address sections for the Lender and Borrower.
- (2) Complete section (2) as to the debt instrument, date of loan and amount of loan.
- (3) Have both the Borrower and the Lender sign the agreement and have the signatures witnessed.
- (4) As indicated in the Subordination Agreement, the Lender will not demand or accept any payment of the debt from the brokerage and the brokerage will not pay any amount in whole or in part until:
 - a. The company has received written permission from the Council to repay a portion of or all of the debt;
 - b. Permission to withdraw funds from the brokerage is granted by the Council any time after the first three (3) months of licensed operations, if the brokerage has sufficient current assets to discharge all of the current liabilities plus the shareholder loan. Permission is usually granted within five (5) business days.
- (5) Failure to comply with the terms of the Subordination Agreement may affect your continued licensing under the Real Estate Services Act.
- (6) In keeping with section 7-7(4) of the Council Rules, a copy of this agreement must be provided to your accountant when he/she is engaged to prepare the Accountant's Report.

