

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 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 Rules, a copy of this agreement must be provided to your accountant when he/she is engaged to prepare the Accountant's Report.

THIS Subordination Agreement has been made this _____ day of _____, 20____.

BETWEEN

Name: _____

Address: _____

(herein called the "Lender")

AND

Name of Brokerage: _____

Address: _____

(herein called the "Borrower")

AND

REAL ESTATE COUNCIL OF BRITISH COLUMBIA

900 – 750 West Pender Street

Vancouver BC V6C 2T8

(herein called the "Council")

WHEREAS:

- (1) The Borrower desires to obtain, renew or maintain licensing pursuant to the *Real Estate Services Act* (herein called "the Act").
- (2) The Borrower acknowledges having borrowed from the Lender the following:

Debt Instrument	Date of Loan	Amount
(ie. Shareholder Loan, Related Party Loan, Promissory Note, etc.)		
_____	_____	\$ _____

- (3) The Lender will not demand or accept payment of, and the Borrower will not pay, any amount in whole or partial satisfaction of the Borrower Debt until:
 - (a) Written authorization is obtained from the Council.
 - (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.
- (4) Failure to comply with the terms of the Subordination Agreement may affect your continued licensing under the Act.
- (5) The Borrower's Debt is hereby subordinated and postponed to and will hereafter rank subsequent to any claims of General Creditors ("General Creditors" means the persons, other than the Lender, now from time to time having claims against the Borrower).

IN WITNESS WHEREOF the parties hereto have executed the Subordination Agreement on the day and year first above written.

TO BE COMPLETED BY THE LENDER

Witness

Name of Lender

Signature of Lender

TO BE COMPLETED BY THE BORROWER

Witness

Name of Borrower

Authorized Signatory of Borrower