

## **SUBORDINATED LOAN AGREEMENT**

Attached to this schedule is a copy of the Subordinated Loan Agreement for firms applying for membership in the Canadian Investment Regulatory Organization and seeking mutual fund dealer registration. This agreement must be submitted to the Canadian Investment Regulatory Organization in triplicate if subordinated debt forms part of the applicant's total financial statement capital. If the debt is secured by the Creditor, the applicant must complete Schedule B "Override Acknowledgement for Uniform Subordinated Loan Agreement"

CANADIAN INVESTMENT REGULATORY ORGANIZATION  
**UNIFORM SUBORDINATED LOAN AGREEMENT**

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AGREEMENT made this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_ . B E T W E E N

of the City of  
in the Province of  
(hereinafter called the "Creditor")

OF THE FIRST PART

- and

- carrying on business in the City

of  
in the Province of  
(hereinafter called the "Dealer  
Member")

OF THE SECOND PART

- and -

CANADIAN INVESTMENT REGULATORY ORGANIZATION (hereinafter called  
"CIRO")

OF THE THIRD PART

**WHEREAS** the Dealer Member is indebted to the Creditor as of the date of this agreement in the principal amount of \_\_\_\_\_ Dollars (\$) as set out in Schedule A hereto; and

**WHEREAS** the Dealer Member of CIRO is subject to the Mutual Fund Dealer Rules ("MFD Rules") of CIRO ; and

**WHEREAS** the Creditor is directly interested in the successful carrying on by the Dealer Member of the Dealer Member's business, including the ability of the Dealer Member to meet the requirements of CIRO as set out in the MFD Rules and to this end is prepared to subordinate and postpone the Debt; and

**WHEREAS** it is the intent of the parties hereto that any moneys or property received by CIRO hereunder, whether received by CIRO as its absolute property or otherwise, shall be used for the benefit of the General Creditors to the extent necessary to pay their Claims; and

**WHEREAS** it is the intent of the parties hereto that the valid claims of the creditors

of the Dealer Member shall be paid in priority of payment as follows:

1. all Claims of General Creditors;
2. all claims of persons including the Creditor whose claims are, or are required by the MFD Rules to be, subordinated in favour of the General Creditors.

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that for the purposes aforesaid and in consideration of the premises and of the sum of One Dollar (\$1.00) now paid by CIRO to the Creditor (the receipt whereof is hereby acknowledged) and of the sum of One Dollar (\$1.00) now paid by the Dealer Member to the Creditor (the receipt whereof is hereby acknowledged) it is agreed by and between the parties hereto as follows:

1. In this agreement, in the recitals hereto and in any schedule hereto:

"General Creditors" means the persons for the time being and from time to time having claims against the Dealer Member to the extent that such claims are not at any such time subordinated, or are not required by the MFD Rules to be subordinated, in favour of other creditors of the Dealer Member;

"Claims" means all debts, liabilities and obligations incurred or assumed by the Dealer Member both before and during the period in which the Dealer Member shall be a member of CIRO and its predecessor organization the Mutual Fund Dealers Association of Canada, which are now due and owing or which may become due and owing by the Dealer Member to one or more of the General Creditors during or after the period in which the Dealer Member shall be a member of CIRO;

"Debt" means that amount of the indebtedness of the Dealer Member to the Creditor set forth in Schedule A hereto and includes any interest from time to time due and payable by the Dealer Member in respect of the said amount of indebtedness;

"Persons" includes corporations, partnerships, trusts, associations and other legal or commercial entities;

"Rules" means the MFD Rules and forms of CIRO;

"Schedule A" means the schedule marked "Schedule A" attached hereto bearing the most recent date and signed by all the parties hereto.

2. (a) The Creditor hereby postpones the payment and satisfaction of the Debt in favour of the General Creditors and subordinates the Debt to all Claims to the intent that the General Creditors shall, in the event of the dissolution, winding-up, liquidation, insolvency or bankruptcy of the Dealer Member, be paid their Claims in full in priority to and before the Creditor shall have any claims upon any property, assets, rights or benefits of the Dealer Member or upon any assets comprising or included in the Debt.
- (b) In the event of dissolution, winding-up, liquidation, insolvency or bankruptcy of the Dealer Member, the Creditor hereby agrees that the Debt herein subordinated and postponed shall rank *pari passu* with and not prior

to any valid claim of another creditor against the Dealer Member which is then similarly subordinated and postponed in favour of the General Creditors.

3.
  - (a) Except as provided in paragraphs 3(b) and 3(c) hereof the Creditor shall not demand or accept repayment of, and the Dealer Member shall not repay to the Creditor, the Debt or any part thereof.
  - (b) Where CIRO has given its prior consent in writing, a part or all of the moneys set forth in Schedule A may be repaid and upon such consent being delivered to the Dealer Member or the Creditor, Schedule A, if it antedates the date of such consent, shall be deemed to have been amended by the parties hereto in accordance with the terms of such consent. Any moneys so repaid shall cease to form any part of the Debt.
  - (c) Nothing contained in paragraph 3(a) hereof shall be deemed to prevent the payment of interest to the Creditor which is now or hereafter due and payable on the moneys set out in Schedule A if such payment is permitted in Schedule A and CIRO has not notified the Creditor and Dealer Member that such payment shall cease.
4.
  - (a) Any payment or repayment of any part or all of the Debt received by the Creditor otherwise than in accordance with the provisions of paragraph 3 hereof (any such payment or repayment so received by the Creditor being hereinafter in this paragraph 4 referred to as an "Unauthorized Repayment") shall be held by the Creditor in trust for the General Creditors and for the ratable distribution of the Unauthorized Repayment among the General Creditors to the extent necessary to pay all Claims in full, and the Creditor shall and hereby agrees to do all things and execute all documents which may be necessary or desirable for effecting such ratable distribution to the extent aforesaid among the General Creditors.
  - (b) The Creditor shall pay to the General Creditors entitled pursuant to paragraph 4(a), or in lieu thereof shall pay to CIRO for the benefit of the General Creditors so entitled, the equivalent value of any Unauthorized Repayment, but only to the extent that the operation of the provision of paragraph 4(a) hereof did not result in any Unauthorized Repayment being realized by the General Creditors to the extent of their entitlement thereto in accordance with the provisions of paragraph 4(a).
  - (c) The Creditor hereby assigns to CIRO on behalf of and for the benefit of the General Creditors, for the purposes and to the extent set out herein, all its right, title and interest in and to any payment or distribution of assets of the Dealer Member of any kind or character which the Creditor would, except for the provisions of this agreement, be entitled to receive on account of the Debt upon any dissolution, winding-up, liquidation, insolvency or bankruptcy of the Dealer Member, and the Creditor hereby authorizes and directs CIRO in such capacity to make application for payment, such application to be made to the liquidating trustee or agent or other person entrusted with the responsibility of distributing the assets of the Dealer Member, whether a trustee in bankruptcy, a receiver or

otherwise, and CIRO shall receive and hold any such payment or distribution made by any such party in trust for the General Creditors and for the ratable distribution among the General Creditors, all to the extent necessary to provide for the payment of all Claims in full, in accordance with the General Creditor's respective interests, prior to the making of any payment or delivery on account of or in respect of the Debt; provided that if this agreement shall have been terminated by the Creditor in the manner provided in paragraph 7 hereof any such payment or distribution so received by CIRO shall be held in trust for the General Creditors in accordance with this paragraph 4(c) to the extent necessary to pay only the Claims, if any, which have arisen up to the earlier of the time of suspension or the effective time, both as hereinafter defined in said paragraph 7.

5. It is understood and agreed that so long only as this agreement shall continue with the approval of CIRO, CIRO hereby declares that it is acting hereunder as trustee on behalf of and for the benefit of all General Creditors for the time being, with the consent and approval of the Creditor and the Dealer Member.
6. CIRO shall be under no obligation or responsibility of any kind or character to any of the General Creditors or creditors of the Dealer Member, and CIRO shall have no obligation, responsibility or duty to see that the covenants herein contained are carried out and fulfilled or to take any action for the enforcement of this agreement unless and until (i) CIRO is so requested in writing by one or more of the General Creditors, (ii) CIRO is furnished with security or indemnity satisfactory to it in respect of any such proceedings and (iii) CIRO, in its uncontrolled discretion, deems the action requested to be taken to be to the advantage of the General Creditors.
7. This agreement shall remain in full force and effect until it is terminated in accordance with this paragraph 7. This agreement may be terminated by CIRO in its absolute discretion by notice in writing given to the Creditor and to the Dealer Member. This Agreement may not be terminated by either the Creditor or the Dealer Member without the prior written consent of CIRO.
8. Any notice or communication hereunder or pursuant hereto which is given in writing may be effectively given by delivering the same or mailing the same by prepaid registered post addressed to the Creditor as follows:

and to the Dealer Member as follows:

and to CIRO as follows:

Canadian Investment Regulatory  
Organization  
40 Temperance St. Suite 2600,  
Toronto ON M5H 0B4

Attention: Membership Services

or to such address as any of these parties shall have previously specified by notice given to the other parties. Any notice or communication that is mailed by prepaid registered post shall be deemed to have been received on the business day following the day upon which it was mailed unless there is a disruption in the regular mail delivery due to postal strikes or other causes of which public notice has been given, in which case any such notice or communication that is mailed by prepaid registered post shall be deemed not to have been given until it has actually come to the attention of the addressee.

9. Any instrument issued or made by the Dealer Member evidencing the Debt shall be clearly marked so as to indicate the subordinated nature thereof and shall have marked conspicuously on its face, with the blanks properly completed, the following legend:

"THE INDEBTEDNESS REPRESENTED  
HEREBY IS POSTPONED"

The indebtedness herein

evidenced is subject to a

subordination agreement dated

between \_\_\_\_\_ (name of Creditor)

Canadian Investment Regulatory Organization,

and \_\_\_\_\_ (name of Dealer Member)

copies of which may inspected at 40 Temperance St. Suite 2600, Toronto ON M5H 0B4

10. Any right or remedy hereby granted, conferred upon or reserved to CIRO on behalf of and for the benefit of the General Creditors is intended to be exclusive of any other right or remedy and each and every right or remedy shall be in addition to every other right or remedy given hereunder or now existing or hereafter existing by law or by statute or under the terms of this agreement and any one or more of such rights or remedies may from time to time be exercised independently or in combination.
11. This agreement shall extend to and enure to the benefit of and be binding upon the heirs, executors, administrators, successors (which term shall include, without limitation, any firm or corporation which succeeds to all or part of the business of

the Dealer Member) and assigns of the parties hereto and shall enure to the benefit of CIRO in trust for the General Creditors.

- 12. Whenever the singular or the masculine are used in this agreement, they shall be construed as meaning the plural, feminine or neuter, where the context or the parties hereto so require.
- 13. This agreement has been drawn up in the English language at the request of the parties. Les parties ont requis que la presente convention soit redigee en anglais.

SIGNED, SEALED AND DELIVERED

\_\_\_\_\_  
(name of Creditor)

Per: \_\_\_\_\_  
(signature of authorized signing officer of Creditor)

Per: \_\_\_\_\_  
(signature of authorized signing officer of Creditor)

\_\_\_\_\_  
(name of Dealer Member)

Per: \_\_\_\_\_  
(signature of authorized signing officer of Dealer Member)

Per: \_\_\_\_\_  
(signature of authorized signing officer of Dealer Member)

CANADIAN INVESTMENT REGULATORY ORGANIZATION

Per: \_\_\_\_\_  
(signature of authorized signing officer of CIRO)

Per: \_\_\_\_\_  
(signature of authorized signing officer of CIRO)



**SCHEDULE A**

The following are referred to as the "Debt" in the foregoing agreement: (Set out amount of indebtedness, details of any security for the Debt, terms of repayment and the payment of interest which shall be permitted):

The foregoing is a full and accurate statement of amounts included in the Debt mentioned in the foregoing agreement dated the      day of      , 20      .

DATED this                      day of                      , 20      .

\_\_\_\_\_  
(name of Dealer Member)

\_\_\_\_\_  
(name of Creditor)

Per: \_\_\_\_\_  
(signature of authorized signing officer of Dealer Member)

Per: \_\_\_\_\_  
(signature of authorized signing officer of Creditor)

Per: \_\_\_\_\_  
(signature of authorized signing officer of Dealer Member)

Per: \_\_\_\_\_  
(signature of authorized signing officer of Creditor)

CANADIAN INVESTMENT REGULATORY ORGANIZATION

Per: \_\_\_\_\_  
(signature of authorized signing officer of CIRO)

Per: \_\_\_\_\_  
(signature of authorized signing officer of CIRO)