SUBORDINATION AGREEMENT

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This Subordination Agreement (the “Agreement”) is effective [DATE],

**BETWEEN: [FIRST PARTY NAME]** (the "Lender"), a company organised and existing under the laws of the [STATE/PROVINCE] of [COUNTRY], with its head office located at:

[YOUR COMPLETE ADDRESS]

**AND: [SHAREHOLDER NAME]** (the "Shareholder"), an individual residing at:

[COMPLETE ADDRESS]

**AND: [NAME]** (the "Borrower"), a company organised and existing under the laws of the [STATE/PROVINCE] of [COUNTRY], with its head office located at:

[COMPLETE ADDRESS]

WHERE [YOUR COMPANY NAME] (“the Lender”) has agreed to lend to [NAME] (“the Borrower”) the aggregate principal amount of [AMOUNT] and, in its sole discretion, may lend to the Borrower an additional amount not to exceed [AMOUNT] (collectively the “Indebtedness”) on the terms and conditions contained in that certain memorandum of loan agreement and that certain grid promissory note each dated as of [DATE] (collectively, the “Loan Agreements”);

AND WHEREAS it is a condition of the Loan Agreements that repayment of the Indebtedness be secured by a mortgage, charge, hypothecation, pledge and assignment of the property, assets and undertaking of the Borrower (“the [YOUR COMPANY NAME] Security”) on the terms and conditions of that certain general security agreement by the Borrower in favour of the Lender dated as [DATE];

AND WHERE the Borrower is also indebted to [SHAREHOLDER NAME] (“the shareholder”), the shareholder of [YOUR COMPANY NAME], and as security therefore has heretofore granted a security interest to and in favour of the Shareholder (the “Shareholder Security”) in the property, assets and undertaking of the Borrower pursuant to a general security agreement dated [DATE];

AND WHEREAS it is a condition precedent to the advance of any monies pursuant to the Loan Agreements that the Shareholder be subordinated to [YOUR COMPANY NAME] on the terms and conditions contained herein;

NOW THEREFORE this agreement witnesses that in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**1.** The [YOUR COMPANY NAME] Security will at all times rank aobve the Shareholder Security and Shareholder Security is and will be subject and subordinated to and will rank subsequent to the [YOUR COMPANY NAME] Security in all respects.

**2.** The subordination of the Shareholder Security to the [YOUR COMPANY NAME] Security provided will apply in all events and circumstances regardless of:

(a) the date of creation, granting, execution, attachment, registration or perfection of any of the [YOUR COMPANY NAME] Security, or the Shareholder Security;

(b) the date of any advance or advances made to the borrower by either the Lender or the Shareholder;

(c) the date of default by the Borrower under either the [YOUR COMPANY NAME] Security, or the Shareholder Security or the dates of crystallisation of any floating charges constituted by any of the [YOUR COMPANY NAME] Security, or the Shareholder Security;

(d) Any priority granted by any principle of law or any statute in [STATE/PROVINCE]; or

(e) the giving of or failure to give notice to the Borrower or any other person.

**3.** Any amount of monies received by or for the account of the Shareholder *in re*spect of the Shareholder Security, whether pursuant to enforcement or realisation proceedings or otherwise will be received in trust for [YOUR COMPANY NAME] and will not be paid or applied to or for the account of the Shareholder until all amounts then due and payable by the Borrower to [YOUR COMPANY NAME] under the Loan Agreements have been paid and discharged in full.

**4.** In the event of any distribution, division or application to the Shareholder or their direct or indirect benefit, partial or complete, voluntary or involuntary pursuant to any security agreement, operation of the law or otherwise, of all or any part of the property, assets or undertaking of the Borrower or of the proceeds thereof, the amount, which, but for this agreement, would be payable or delivered to the Shareholder, will instead be paid or delivered directly to [YOUR COMPANY NAME] in order to satisfy all obligations and liabilities under the Loan Agreements, whether then due or not, until all such obligations and liabilities have been fully satisfied and discharged.

**5.** The Shareholder agrees not to assign or transfer any portion of the Shareholder Security, respectively, until all obligations of the Borrower under or pursuant to the Loan Agreements have been fully satisfied and discharged; provided, however, that nothing herein contained will preclude an assignment by the Shareholder which is expressly subject to the provisions of this agreement.

**6.** The Shareholder will in any manner contest or bring into question the validity, priority, perfection or enforceability of the [YOUR COMPANY NAME] Security, or any part thereof, and each covenants that the subordination of the Shareholder Security pursuant to the terms hereof will not be affected by the invalidity of the [YOUR COMPANY NAME] Security or any part thereof.

**7.** The Shareholder will take any reasonable steps to realise on or exercise any of their rights or remedies pursuant to the Shareholder Security, respectively, without the prior written consent of [YOUR COMPANY NAME].

8. The Borrower hereby ratifies and confirms the ordering of priorities and subordinations *in re*spect of the [YOUR COMPANY NAME] Security, the Shareholder Security provided for herein and agrees to be bound by the provisions hereof.

**9.** Each of the parties hereto agrees to execute and deliver all such deeds, documents, instruments and assurances, including filing financing change statements or other notices, and to do such other acts and things as may be reasonably requested by the other party or such party’s counsel in order to give effect to the provisions and intentions of this agreement.

**10.** This agreement will be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

**11.** Time will be of the essence hereof.

**12.** This agreement will be governed by, interpreted, construed and performed in accordance with the laws of the [State/Province] of [STATE/PROVINCE].

**IN WITNESS WHEREOF**, each party to this agreement has vindicated its legality at [PLACE OF EXECUTION] on the date indicated above.

# Lender Shareholder

Authorised Signature Authorised Signature

Print Name and Title Print Name and Title

# Borrower

Authorised Signature

Print Name and Title