

SURETYSHIP AND SUBORDINATION OF CLAIMS

(Personal Loans)

TO: ROYAL BANK OF CANADA

DEFINITIONS

The terms defined below are used throughout this document. We recommend that you read these definitions. They should help you better understand the conditions that apply to your suretyship.

“Suretyship” means *your* agreement with *us* as set out in this document. If this document is amended in any way, the word **“Suretyship”** means the agreement as amended.

“Customer” means [Insert the name of the borrowing customer].

“Amount of the Suretyship” means the total amount that *you* agree to pay *us* under this *Suretyship*. That includes the amount indicated in section 1 and the interest at the rate indicated in that section on any amount that *you* do not pay following a demand for payment under this *Suretyship*.

“We” or **“us”** means Royal Bank of Canada. The word **“our”** also refers to *us*.

“Guaranteed Indebtedness” means all the debts and indebtedness that the *Customer* owes *us* at any time and in any way, directly or indirectly, conditionally or unconditionally, whether such debts and indebtedness exist now or in the future, whether or not they are due and payable and whether the *Customer* is liable for such debts and indebtedness alone or with others, in Canada or elsewhere. That includes principal, interest and costs payable on a loan, credit card, line of credit, hypothec, bank overdraft, costs relating to a service *we* offer the *Customer* or sums payable under a suretyship pursuant to which the *Customer* has undertaken to *us* to pay another person’s debts.

“You” means any person who signs this *Suretyship* guaranteeing the *Guaranteed Indebtedness*. The word **“your”** also refers to *you*.

When the words “that includes” are followed by a list, that means that the items listed are only examples and that other items may be covered by the clause or definition in which the list appears.

YOU AGREE THAT YOUR OBLIGATION TO US WILL BE FULFILLED IN ACCORDANCE WITH THE TERMS DESCRIBED BELOW:

1. **SURETYSHIP**

(a) **Your Obligation**

You guarantee *us* that you will pay the *Guaranteed Indebtedness* on demand. That means that *you* agree to pay *us* any amount that the *Customer* may owe *us* with respect to the *Guaranteed Indebtedness* as soon as *we* ask *you* to pay *us*.

(b) **Amount of the Suretyship**

Your liability under this **Suretyship** is limited to an amount of _____ dollars (\$ _____). That means that we cannot ask **you** to pay more than that amount as repayment of the **Guaranteed Indebtedness**.

However, if **you** do not pay **us** the amount **we** ask **you** for when **we** ask **you** for it, **you** agree to pay **us** interest on the unpaid amount. The interest will run from the date of **our** request for payment until the amount **we** have asked **you** to pay has been paid in full. The interest will be calculated at the:

- _____ rate of _____ per cent (_____ %) per annum,

monthly, not in advance, before and after judgment, and will be payable on demand.

2. **SUBORDINATION OF CLAIMS**

You agree to subordinate the payment of **your** present and future claims against the **Customer** to the payment of the **Guaranteed Indebtedness**. That means that if the **Customer** owes **you** a sum of money, **we** will be entitled to obtain payment of the **Guaranteed Indebtedness** before **you** are paid any part of the sums the **Customer** owes **you**. Thus, until **we** have been paid in full all amounts owed to **us** by the **Customer** in relation to the **Guaranteed Indebtedness**, **you** may not claim any amount owed to **you** by the **Customer**. If **you** receive payment of a claim **you** have against the **Customer**, **you** will receive the payment on **our** behalf and the payment will reduce the **Guaranteed Indebtedness** and must be remitted to **us** immediately. **You** agree that remittance of any such payment to **us** will not satisfy **your** obligations under the **Suretyship** in whole or in part and will not have the effect of reducing the **Amount of the Suretyship**.

This subordination is independent of the **Suretyship** and will remain in effect notwithstanding the termination of the **Suretyship** with respect to one or more of **you**.

GENERAL PROVISIONS3. **SOLIDARY LIABILITY**3.1 **BETWEEN THE CUSTOMER AND THE GUARANTORS**

Your liability under this **Suretyship** and the **Customer's** liability for the **Guaranteed Indebtedness** are solidary.

3.2 **BETWEEN THE GUARANTORS**

If there is more than one of **you**, all of **you** are solidarily liable under this **Suretyship**.

The term "solidary" used in this **Suretyship** means that each of **you** is liable individually and collectively with the others for the **Guaranteed Indebtedness**. Consequently, **we** may demand that any one of **you** pay the **Guaranteed Indebtedness** in full, up to the **Amount of the Suretyship**. **Your** payment will release the others from their liability to **us**.

3.3 POSTPONEMENT OF SUBROGATION

You agree not to exercise **your** right of subrogation until **we** have received payment in full of the **Guaranteed Indebtedness**. That means that if **you** pay **us** an amount in respect of the **Guaranteed Indebtedness**, **you** may not recover that amount from the **Customer** or from another guarantor who is solidarily liable with **you** until **we** have received full and final payment of the **Guaranteed Indebtedness**.

4. OUR RIGHTS

4.1 TRANSACTIONS WITH THE CUSTOMER AND WITH THIRD PARTIES

We may, if **we** wish, take any of the following steps, without **your** consent and without diminishing or modifying **your** liability under this **Suretyship**:

- (a) grant more time to the **Customer**, to any of **you** or to any other person who is liable for the **Guaranteed Indebtedness** to pay the **Guaranteed Indebtedness** or the **Amount of the Suretyship**;
- (b) renew or amend any agreement or condition that applies to the **Guaranteed Indebtedness**;
- (c) release the **Customer**, any of **you** or any other person who is liable for the **Guaranteed Indebtedness** from all or part of his or her liability for the **Guaranteed Indebtedness**;
- (d) accept or not accept any security or guarantee relating to all or part of the **Guaranteed Indebtedness**;
- (e) surrender all or part of any security or guarantee relating to the **Guaranteed Indebtedness**, even those currently existing;
- (f) agree not to exercise all or some of **our** rights arising under the **Guaranteed Indebtedness**, a security, a guarantee or the law;
- (g) cease or refrain from granting loans or other forms of credit to the **Customer**;
- (h) accept any arrangement for the repayment of the **Guaranteed Indebtedness**; and
- (i) negotiate with the **Customer**, any of **you**, or any other person, as **we** wish.

Loss of any security or guarantee with respect to the **Guaranteed Indebtedness**, whether it results from **our** act or omission or otherwise, will not diminish or modify **your** liability under this **Suretyship**.

4.2 USE OF MONIES RECEIVED

We may apply any sums paid to **us** in respect of the **Guaranteed Indebtedness** (under this **Suretyship** or otherwise), and the proceeds of realization of any security or guarantee that **we** hold towards payment of any part of the **Guaranteed Indebtedness we** wish, in the manner, in the order and for the amounts **we** choose.

5. CONTINUOUS SURETYSHIP

This **Suretyship** is continuous. It will remain in effect and subsist notwithstanding the full or partial payment from time to time of all or part of the **Guaranteed Indebtedness**.

For example, if the **Guaranteed Indebtedness** includes a line of credit, a credit card or any other type of credit whose balance varies and such balance is at zero, the **Suretyship** will continue in effect and will cover any other amount subsequently borrowed by the **Customer**. Similarly, if the **Guaranteed Indebtedness** refers to a loan and the loan is repaid to **us** in full, the **Suretyship** will continue in effect and will cover any other amount that may be borrowed by the **Customer**.

This **Suretyship** guarantees the most recent balance owed to **us** by the **Customer**.

You continue to be liable for any part of the **Guaranteed Indebtedness** that **you** have paid to **us** if **your** payment to **us** is cancelled or reversed for any reason whatsoever, including **your** or the **Customer's** bankruptcy or insolvency.

6. WAIVER OF THE BENEFIT OF DISCUSSION

You waive the benefit of discussion. That means that **we** are not obliged to exercise **our** remedies against the **Customer**, his or her property or any other person with liability for the **Guaranteed Indebtedness** before asking **you** to make payment under this **Suretyship**.

7. WAIVER OF THE BENEFIT OF DIVISION

You waive the benefit of division. That means that **we** are not obliged to allocate the amount of **our** request for payment or of **our** action against **you** (if there are more than one of **you**) when **we** exercise **our** rights under this **Suretyship**.

8. TERMINATION OF THE SURETYSHIP

8.1 REVOCATION

You may, by giving 30 days' prior written notice to the manager of **our** branch which received this **Suretyship**, terminate **your** liability under this **Suretyship** for the **Customer's** future obligations. However, **you** will remain liable for the **Guaranteed Indebtedness** that exists at the date of receipt of such notice and the **Guaranteed Indebtedness** incurred within the 30 days following receipt of the notice, whether or not such **Guaranteed Indebtedness** is due and payable at that time. Notwithstanding the receipt of such notice, **we** have the right to meet the **Customer's** requests based on express or tacit agreements entered into before the receipt of such notice, and any resulting liability will be covered by this **Suretyship**.

8.2 DEATH

Your death will put an end to this **Suretyship** with respect to the liability of **you** and **your** succession for the **Customer's** future liability to **us**, but not with respect to the **Guaranteed Indebtedness** which exists at the date of death, even if such **Guaranteed Indebtedness** is not due and payable at that time. Notwithstanding **your** death, **we** will have the right to meet the **Customer's** requests based on express or tacit agreements entered into before **your** death, and any resulting liability will be covered by this **Suretyship**.

8.3 EFFECT ON OTHER GUARANTORS

If there are more than one signatory of this **Suretyship** and the **Suretyship** comes to an end for one or more of **you**, for a reason given above or for any other reason, the **Suretyship** will remain in effect for the other guarantors.

9. NON-DISCHARGING EVENTS

This **Suretyship** and this subordination agreement will remain valid and in effect notwithstanding:

- (a) any incapacity or disability of the **Customer** (or of its directors, partners or agents);
- (b) that the **Customer** does not have juridical personality or that legal action cannot be taken against the **Customer**;
- (c) that **you** or the **Customer** are bankrupt or insolvent;
- (d) any irregularity or defect in the constitution of the **Guaranteed Indebtedness**, whether or not **we** are aware of such irregularity or defect;
- (e) a change in the **Customer's** name;
- (f) if the **Customer** is a company, its merger with another company, its continuation under another jurisdiction or in another legal form, or a change in its objects, capital structure, incorporation or business;
- (g) if the **Customer** is a partnership, a change in its composition, purpose, legal form or business;
- (h) If this **Surety** is attached to the performance of **your** functions, the fact that **you** cease to perform those functions;
- (i) that **we** take steps to exercise **our** rights or obtain a judgment or an order against the **Customer** or his or her property or against any other person or his or her property with respect to the **Guaranteed Indebtedness**;
- (j) any change to the law that may affect the **Guaranteed Indebtedness**, the **Suretyship**, **you** or the **Customer**.

If paragraphs e) to g) apply, the term "**Customer**" will then be considered to include for purposes of this **Suretyship**, the new name, the company resulting from the merger, or the partnership or company as amended.

10. INDEPENDENCE OF THE SURETYSHIP

This **Suretyship** is in addition to all other suretyships and undertakings given to **us** by anyone in relation to the **Guaranteed Indebtedness**. However, it replaces any suretyship surrendered by **us** in consideration of the signature of this **Suretyship**.

11. **STATEMENTS OF ACCOUNT**

Any statement prepared by **us** will be accepted by **you** as conclusive evidence of the amount owed to **us** by the **Customer** as at the date of such statement.

12. **EFFECTIVE DATE**

This **Suretyship** is binding upon all its signatories, regardless of when it was signed and even if one or more intended signatories did not sign it.

Our possession of this agreement is conclusive evidence that this **Suretyship** was not delivered on the understanding that it would only come into effect after certain prior or subsequent conditions were met, unless, when **we** received it, each of the signatories obtained from the manager of **our** branch receiving the **Suretyship** a letter setting out the conditions on which it was delivered and, if applicable, those which must be satisfied before the **Suretyship** takes effect.

13. **NOTICES AND DEMAND FOR PAYMENT**

Any notice or demand for payment will be deemed to have been given or made to **you** when a stamped envelope containing such notice or demand and addressed to **you** is mailed to **your** last address (or if there are more than one of **you**, the last address of any one of **you**) known to **us**. **You** agree to notify **us** immediately of any change of address.

In the event of **your** death, the notice or demand for payment given or made to **your** heirs, executors, liquidators, administrator, directors or legal representatives and mailed to **your** last address known to **us** will be considered to have been given or made to all the guarantors.

14. **PLACE OF PAYMENT**

Any payment under this **Suretyship** must be made to **us** at one of **our** branches.

15. **NO SET-OFF**

You agree to pay **us** any amount that **you** owe **us** under this **Suretyship** without any deduction, set-off, or counterclaim against **us** or the **Customer**. For example, if **we** owe **you** a sum of money, **you** cannot deduct or withhold such sum from the payment **you** must make under this **Suretyship**.

16. **INDEMNIFICATION**

In addition to this **Suretyship**, **you** agree to indemnify **us** for any loss, damage, cost and expense that **we** may incur as a result of:

- (a) the **Customer's** failure to pay **us** the **Guaranteed Indebtedness**;
- (b) any measure, action or judicial proceeding that **we** take to obtain payment of the sums owed to **us** under this **Suretyship**.

This indemnification includes any fee or judicial disbursement that **we** have to pay to exercise **our** rights against the **Customer** or against **you**.

This indemnification is separate from the **Suretyship**. It constitutes a separate undertaking by **you** to repay **us** the amounts described above.

17. **ENTIRE AGREEMENT**

This document describes in full **our** agreement with **you** with respect to this **Suretyship** and this subordination of claims, and neither **we** nor **you** will be bound by any other representation or promise made by any person with respect to this **Suretyship** or this subordination of claims unless such representation or promise is incorporated into this document.

18. **CONSTRUCTION**

The headings of the sections of this **Suretyship** have been inserted for ease of reference. They may not be used to interpret the **Suretyship**.

19. **SEVERABILITY**

If any provision of this **Suretyship** is held to be invalid or unenforceable, that will not affect the validity or enforceability of the other provisions of this **Suretyship**.

20. **SUCCESSORS**

This **Suretyship** and this subordination agreement extend to **our** successors and assigns, whether or not as a result of mergers, and the said successors and assigns will enjoy all **our** rights hereunder.

In this **Suretyship**, any reference to **you** includes **your** heirs, executors, liquidators, administrators, directors, legal representatives, successors and assigns, as the case may be, and this **Suretyship** and this subordination agreement are binding on all of them.

21. **APPLICABLE LAW**

This **Suretyship** and this subordination of claims are governed and interpreted by the law in force in the province of Quebec. **You** acknowledge the jurisdiction of the courts of Quebec as regards all matters relating to this **Suretyship** and the remedies that result from this **Suretyship**.

22. **LANGUAGE**

You have expressly requested that this agreement and all documents relating to it be drawn up in the English language. Vous avez expressément demandé que ce contrat et tous les documents qui s'y rapportent soient rédigés en langue anglaise.

23. **ACKNOWLEDGMENT**

By **your** signature, **you** acknowledge that **you** have received a copy of this **Suretyship**.

SIGNED at _____,

on _____.

Witness:

Guarantor(s):

Name: (signature)

Name: (signature)

Name: (signature)

[for corporate guarantors]:

Company Name

Per: _____

Name:

Title:

Per: _____

Name:

Title: