FINRA Form SDN - 32T

TEMPORARY
SECURED DEMAND NOTE
COLLATERAL AGREEMENT

_____	_____
Scheduled Maturity Date (not more than 45 days from the date hereof)	Principal Amount
_____	_____
(Name of Broker/Dealer)	(Name of Lender)
_____	_____
(Address)	(Address)

1. GENERAL

(a) _____ (the “Lender”) has executed in favor of _____ (the "Broker/Dealer"), a Secured Demand Note of even date in the form of Annex I hereto. References herein to the "Note" shall be deemed to refer to such Secured Demand Note and to any Note substituted therefor in accordance with the terms hereof. The unpaid principal amount of the Note is hereinafter referred to as the "Indebtedness."

(b) The Broker/Dealer promises to pay to the Lender an amount equal to _____% per annum of the Indebtedness, payable _____.

(c) A broker or dealer is permitted to enter into no more than three temporary subordination agreements in a 12 month period. The Broker/Dealer represents that this Temporary Secured Demand Note Collateral Agreement is its _____ (1st, 2nd, or 3rd) such occasion in such 12 month period.

(d) This agreement shall not be effective or deemed to constitute a satisfactory subordination agreement under Appendix D to Rule 15c3-1 under the Securities Act of 1934, as amended (the “Act” or “SEA”), unless and until the Financial Industry Regulatory Authority (“FINRA”) has found the agreement acceptable as to form and content.

(e) This document contains several provisions which are optional and may be included in this agreement if the parties mutually agree to incorporate such provisions. Each such provision is flagged by **[OPTIONAL]** appearing at the conclusion of its heading or, in the case of paragraph 6(b), at the beginning of the relevant provision. The space to

the left of each such provision enables the parties to indicate, by entering the word "Included", to incorporate the particular provision(s). Any provision noted as **[OPTIONAL]** that has the word "Excluded" in the space to the left of such provision or lacks any appropriate indication for inclusion, by default, will not be included in this agreement. In addition, paragraph 31 of this agreement ("Optional Rider"), if incorporated by the parties, presents a vehicle for the parties to add their own provisions to this agreement, subject to the terms and conditions there stated.

2. SUBORDINATION OF OBLIGATIONS

The Lender irrevocably agrees, notwithstanding anything in this agreement to the contrary, that the obligations of the Broker/Dealer under this agreement and the rights of the Lender under this agreement, including but not limited to the right of the Lender to withdraw the Note and the Collateral (as that term is herein after defined) pursuant to paragraph 12 or to the return or reduction of the same pursuant to paragraph 11 and the right of the Lender to receive payments under paragraph 1(b), are and shall be fully and irrevocably subordinate and subject to the prior payment or provision for payment in full of all claims of all present and future creditors of the Broker/Dealer whose claims are not similarly subordinated (claims hereunder shall rank pari passu with claims similarly subordinated) and to claims which are now or hereafter expressly stated in the instruments creating such claims to be senior to claims of the class of this claim arising out of any matter occurring prior to the date on which the Broker/Dealer's obligation to permit such withdrawal or to make such return, reduction or payment matures consistent with the provisions hereof. In the event of the appointment of a receiver or trustee of the Broker/Dealer or in the event of its insolvency, liquidation pursuant to the Securities Investor Protection Act of 1970 ("SIPA") or otherwise, its bankruptcy, assignment for the benefit of creditors, reorganization whether or not pursuant to bankruptcy laws, or any other marshalling of the assets and liabilities of the Broker/Dealer, the Lender shall not be entitled to participate or share, ratably or otherwise, in the distribution of the assets of the Broker/Dealer until all claims of all other present and future creditors of the Broker/Dealer, whose claims are senior hereto, have been fully satisfied or adequate provision has been made therefor.

3. COLLATERAL

(a) As security for the payment of the Indebtedness evidenced by the Note, the Lender hereby pledges to the Broker/Dealer the securities and cash, if any, described in Schedule A annexed to the Note, as the same may from time to time be amended in accordance with the terms hereof (the securities from time to time listed in said Schedule are herein after collectively referred to as the "Securities" and any securities, cash or other property at any time pledged hereunder are herein referred to as the "Collateral"). All Securities shall be fully paid for and in bearer form or registered in the name of the Broker/Dealer or its nominee or custodian.

(b) The Collateral shall be held by the Broker/Dealer, as pledgee, in accordance with the terms hereof, to assure the faithful performance by the Lender of the obligations of the

Lender under the Note, in an account in the name of the Lender, to be designated the "Collateral Account for SDN to [name of Broker/Dealer]". Subject to the prior rights of the Broker/Dealer as pledgee, title to all Collateral shall remain in the Lender until such Collateral is applied to the payment of the Indebtedness. Subject to the provisions of paragraphs 10(d) and 11(b) hereof, all of the right and interest of the Broker/Dealer in the Collateral shall terminate upon payment in full of all Indebtedness.

(c) The Lender, its heirs, executors, administrators or assigns shall not be personally liable on the Note and in the event of default on the Note, the Broker/Dealer shall look for payment of Indebtedness solely to the Collateral.

4. RIGHTS OF THE LENDER WITH RESPECT TO COLLATERAL

(a) Subject only to the prior rights of the Broker/Dealer as pledgee hereunder and under the Note, until liquidated in accordance with the provisions hereof, the Lender shall have and retain full legal and beneficial ownership of the Collateral and shall have the benefit of any increases and bear the risk of any decreases in the value of the Collateral. Prior to such liquidation, the Lender shall have the sole right to vote or consent with respect to the Securities included therein; shall have the sole right to any income there from or distribution thereon by payment of interest or dividends or otherwise, subject however, to the right of the Broker/Dealer to receive and hold as pledgee all dividends payable in securities and all partial and complete liquidating dividends; and shall pay all taxes, assessments or other charges upon or with respect to the Securities or the income there from or distributions thereon or the gain or loss of value thereof to the extent consistent with this agreement.

(b) The Lender shall have the right at any time from time to time, subject to the prior rights of the Broker/Dealer as pledgee hereunder, to direct the sale of any or all of the Securities, and to direct the purchase of securities with any cash (including the proceeds from any directed sale of any Securities) included in the Collateral; provided, however, that the net proceeds of any such sale, and the securities so purchased are held by the Broker/Dealer as Collateral for such Note; and provided, further, that no such transaction shall be permitted if after giving effect thereto, the value of the Collateral determined in accordance with the rules and regulations of FINRA, the Securities and Exchange Commission (the "SEC") including paragraph (a)(2)(iii) of Appendix D to Rule 15c3-1 under the Act, and, if and as applicable, the Commodity Futures Trading Commission (the "CFTC") (the "Capital Requirements Value") would be less than the Indebtedness. The Lender shall have the right to pledge additional cash or securities as Collateral.

(c) The Lender shall have the right, subject to paragraph 6(b) and subject to the prior rights of the Broker/Dealer as pledgee hereunder, at any time and from time to time to withdraw the whole or any part of any excess Collateral, provided that the Capital Requirements Value of the remaining Collateral is at least equal to the Indebtedness.

5. RIGHTS OF THE BROKER/DEALER WITH RESPECT TO THE NOTE AND COLLATERAL

The Broker/Dealer, as the holder of the Note and pledgee of the Collateral, shall (without limiting its other rights) be entitled:

(a) to deposit any cash from time to time pledged as Collateral in an account or accounts in its own name in any bank or trust company, and to hold the Securities in bearer form, in its own name, or in the name of its nominee or its custodian,

(b) after one year from the date hereof and with the prior written consent of FINRA, to reduce the unpaid principal amount of the Note subject to the provisions of paragraph 11,

(c) if the Note is not paid under presentment and demand as therein provided, to liquidate all or any part of the Collateral and to apply the proceeds of such liquidation (together with any cash included in the Collateral) in payment, in whole or in part, of the Indebtedness, and

(d) without notice, to pledge, re-pledge, hypothecate and re-hypothecate, any or all of the Collateral (separately or in common with other securities or any other property) to secure indebtedness of the Broker/Dealer in any amount (whether larger or smaller than the Indebtedness) and without retaining a like amount of securities in the Broker/Dealer's possession and control and to lend to itself or others, any or all of the Collateral.

6. INDEBTEDNESS IN EXCESS OF CAPITAL REQUIREMENTS VALUE

If the Capital Requirements Value of the Collateral is or at any time becomes less than the Indebtedness, the Broker/Dealer shall give immediate written notice to the Lender and FINRA, in which event the Lender may, prior to twelve o'clock noon, Eastern Time, on the business day next succeeding the giving of the required notice, at its option:

(a) Pledge additional collateral to bring the Capital Requirements Value of the Collateral to or above the Indebtedness.

_____ (b) **[OPTIONAL]** with the prior written consent of FINRA and the Broker/Dealer, reduce the unpaid principal amount of the Note (herein after a “Reduction”) by not more than 15 percent of the original principal amount. In the event of a Reduction, the Lender may no longer exercise its right to withdraw Collateral as provided for in paragraph 4(c) of this Agreement. In order to conduct a Reduction, the Broker/Dealer must clearly establish that after such a Reduction the Broker/Dealer would not violate the following conditions:

(i) in the event that the Broker/Dealer is not operating pursuant to the alternative net capital requirement provided for in paragraph (a)(1)(ii) of Rule 15c3-1 (the "Rule") under the Act, the aggregate indebtedness of the Broker/Dealer would exceed 1000 percent of its net capital as those terms are defined in the Rule or any successor rule as in effect at the time a Reduction is to be made (or such other percent as may

be made applicable by FINRA, pursuant to its rules, or by the SEC at the time a Reduction is to be made), or

(ii) in the event that the Broker/Dealer is operating pursuant to paragraph (a)(1)(ii) of the Rule (the ”Alternative Net Capital Requirement”), the net capital of the Broker/Dealer would be less than 5 percent (or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC at the time a Reduction is to be made) of aggregate debit items computed in accordance with Exhibit A to Rule 15c3-3 under the Act or any successor rule as in effect at the time a Reduction is to be made, or

(iii) the Broker/Dealer’s net capital, as defined in the Rule or any successor rule as in effect at the time a Reduction is to be made, would be less than 120 percent (or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC at the time a Reduction is to be made) of the minimum dollar amount required by the Rule as in effect at such time (or such other dollar amount as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC at the time a Reduction is to be made), or

(iv) in the event that the Broker/Dealer is subject to the provisions of paragraph (a)(6)(v) or (c)(2)(x)(C) of the Rule, the net capital of the Broker/Dealer would be, at the time a Reduction is to be made, less than the amount required to satisfy the 1000 percent test (or such other percent test as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC at the time a Reduction is to be made) stated in such applicable paragraph, or

(v) in the event that the Broker/Dealer is registered under the Commodity Exchange Act (the “CEA”), the net capital of the Broker/Dealer (as defined in and calculated in accordance with the CEA or the regulations thereunder) would be less than the percent or amount specified in Section 1.17(h)(2)(vi)(C) of the regulations of the Commodity Futures Trading Commission (“CFTC”) or any successor regulation as in effect at the time a Reduction is to be made.

(c) Unless additional collateral is so pledged or the unpaid principal amount of the Note is so reduced prior to twelve o'clock noon, Eastern Time, on the business day next succeeding the giving of the required notice, the Broker/Dealer shall forthwith sell all or any part of the Collateral for the account of the Lender and apply so much of the proceeds thereof and any cash then included in the Collateral as may be necessary to reduce or eliminate the Indebtedness, provided that the Indebtedness need not be reduced below the Capital Requirements Value of the remaining Collateral.

7. LIQUIDATION AND APPLICATION OF COLLATERAL

(a) Any liquidation provided for herein may be effected by a sale or sales for cash or otherwise upon an exchange or in the over-the-counter market, or at any other public or private sale, and with or without any advertisement or notice whatsoever, as the Broker/Dealer in its sole discretion shall determine. The purchaser of any securities at any such sale shall take the same free of any right of redemption and any other right or claim on the part of the Lender, all of which rights and claims are hereby waived and released. The Broker/Dealer may not be the purchaser for its own account at any such sale. The proceeds of any such liquidation shall be the net cash proceeds thereof, after deducting all expenses thereof.

(b) Whenever any of the Collateral shall be applied to the payment of the Indebtedness, the principal amount of the Note shall be deemed paid and satisfied to the extent so applied.

8. RIGHT TO RECEIVE SUBORDINATED LOAN AGREEMENT

The Broker/Dealer will issue, and the Lender will accept, with respect to any payment (as distinguished from a reduction under paragraphs 5(b) or 6(b), return under paragraph 11 or withdrawal under paragraph 12) of all or part of the unpaid principal amount of the Note (whether pursuant to paragraph 5(c) or 9 hereof) a Subordinated Loan Agreement in substantially the form of Annex II attached hereto ("Subordinated Loan Agreement") evidencing the subordinated indebtedness of the Broker/Dealer in a principal amount equal to such payment of all or part of the unpaid principal amount of the Note. It is expressly understood, however, that the right of the Broker/Dealer to liquidate the Collateral and apply the proceeds of such liquidation in payment in whole or in part of the Indebtedness, as provided for in paragraph 5(c), or to pledge, re-pledge, hypothecate, re-hypothecate and lend any or all of the Collateral as provided for in paragraph 5(d), shall not be affected in any way by any inability or failure to issue such Subordinated Loan Agreement or any delay in the issuance of the same. Immediately upon such payment and until the issuance to the Lender of such Subordinated Loan Agreement, the Lender shall have the rights of a subordinated Lender on the terms set forth in Annex II.

9. PAYMENT OF INDEBTEDNESS

The Lender shall have the right at any time and from time to time to pay the whole or any part of the Indebtedness and to receive therefor Subordinated Loan Agreements of the Broker/Dealer in accordance with Paragraph 8 of this agreement.

10. SUSPENDED REPAYMENT

(a) The Broker/Dealer's obligation to return the Note and Collateral on the Scheduled Maturity Date or any acceleration thereof (collectively hereinafter referred to as a "Return") shall be suspended and shall not mature for any period of time during which, after giving effect to such Return (together with the payment of any other obligation of the

Broker/Dealer under any other subordination agreement payable at or prior to the return of the Note and the Collateral as well as the return of any Secured Demand Note, other than the Note, and the Collateral therefor held by the Broker/Dealer and returnable at or prior to the return of the Note and the Collateral), any of the following circumstances apply at the time a Return is to be made:

(i) in the event that the Broker/Dealer is not operating pursuant to the Alternative Net Capital Requirement, the aggregate indebtedness of the Broker/Dealer would exceed 1200 percent of its net capital as those terms are defined in the Rule or any successor rule in effect, or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC, or

(ii) in the event that the Broker/Dealer is operating pursuant to the Alternative Net Capital Requirement, the net capital of the Broker/Dealer would be less than 5 percent (or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC) of aggregate debit items computed in accordance with Exhibit A to Rule 15c3-3 under the Act or any successor rule in effect, or

(iii) the Broker/Dealer's net capital, as defined in the Rule or any successor rule in effect, would be less than 120 percent (or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC) of the minimum dollar amount required by the Rule in effect at such time (or such other dollar amount as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC), or

(iv) in the event that the Broker/Dealer is subject to the provisions of Paragraph (a)(6)(v) or (c)(2)(x)(C) of the Rule, the net capital of the Broker/Dealer would be less than the amount required to satisfy the 1000 percent test (or such other percent test as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC) stated in such applicable paragraph, or

(v) in the event that the Broker/Dealer is registered under the Commodity Exchange Act (the "CEA"), the net capital of the Broker/Dealer (as defined in and calculated in accordance with the CEA or the regulations thereunder) would be less than the percent or amount specified in Section 1.17(h)(2)(viii) of the regulations of the Commodity Futures Trading Commission ("CFTC") or any successor regulation in effect

(the above criteria being hereinafter referred to as the "Applicable Minimum Capital").

(b) During any such period of suspension the Broker/Dealer shall, as consistent with the protection of its customers, promptly reduce its business to a condition which will permit the return of the Note and all Collateral (together with the payment of any other obligation of the Broker/Dealer under any other subordination agreement payable at or prior to the return of the Note and the Collateral as well as the return of any Secured Demand Note, other than the Note, and the Collateral therefor held by the Broker/Dealer and returnable at or prior to the return of the Note and the Collateral) without causing the Broker/Dealer's net capital to be less than its Applicable Minimum Capital, at which time the Broker/Dealer shall return the Note and the Collateral on not less than five days prior written notice to FINRA.

(c) The obligation to return the Note and Collateral pursuant to this agreement shall mature on the first day at which under this paragraph 10 the Broker/Dealer has an obligation to return the Note and Collateral hereof.

(d) If payment is made and all or any of the Collateral is returned or withdrawn on the Scheduled Maturity Date or any accelerated maturity date and if immediately after any such payment, return or withdrawal the Broker/Dealer's net capital is less than the Applicable Minimum Capital, the Lender agrees irrevocably (whether or not such Lender had any knowledge or notice of such fact at the time of any such payment) to promptly, upon written notice from the Broker/Dealer, execute and deliver to the Broker/Dealer, its successors or assigns, a note identical to and having a principal amount equal to the Note so returned or withdrawn and to secure such note on the same terms as in this agreement with collateral having a Capital Requirements Value at the time of delivery at least equal to the face amount of the note required to be executed and delivered pursuant to this paragraph; provided, however, that any demand by the Broker/Dealer to recover such payment, return or witthdrawal must be made in writing to the Lender, a copy of which must be provided to FINRA, within 120 calendar days from the date of such payment, return or withdrawal.

(e) The Broker/Dealer shall immediately notify FINRA of any suspension of its obligations to return the Note and Collateral hereof.

_____ 11. PERMISSIVE PREPAYMENT **[OPTIONAL]**

(a) With the prior written approval of FINRA, the Broker/Dealer may, at its option, but not at the option of the Lender, make payment of all or any portion of the principal amount hereof to the Lender prior to the Scheduled Maturity Date (hereinafter referred to as a "Prepayment") at any time subsequent to the effective date of this agreement. However, no Prepayment shall be made if, after giving effect thereto (and to all other payments of principal of outstanding subordination agreements of the Broker/Dealer, including the return of any Secured Demand Note and the Collateral therefor held by the Broker/Dealer, the maturity or accelerated maturity of which are scheduled to occur within six months after the date such Prepayment is to occur pursuant to the provisions of this paragraph, or on or prior to the Scheduled Maturity Date for payment of the principal amount hereof disregarding this paragraph, whichever date is earlier) without reference to any projected

profit or loss of the Broker/Dealer, any of the following circumstances apply at the time Prepayment is to be made:

(i) in the event that the Broker/Dealer is not operating pursuant to the Alternative Net Capital Requirement, the aggregate indebtedness of the Broker/Dealer would exceed 1000 percent of its net capital as those terms are defined in the Rule or any successor rule in effect (or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC), or

(ii) in the event that the Broker/Dealer is operating pursuant to the Alternative Net Capital Requirement, the net capital of the Broker/Dealer would be less than 5 percent (or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC) of aggregate debit items computed in accordance with Exhibit A to Rule 15c3-3 under the Act or any successor rule in effect, or

(iii) the Broker/Dealer's net capital, as defined in the Rule or any successor rule in effect, would be less than 120 percent (or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC) of the minimum dollar amount required by the Rule in effect at such time (or such other dollar amount as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC), or

(iv) in the event that the Broker/Dealer is subject to the provisions of paragraph (a)(6)(v) or (c)(2)(x)(C) of the Rule, the net capital of the Broker/Dealer would be less than the amount required to satisfy the 1000 percent test (or such other percent test as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC) stated in such applicable paragraph, or

(v) in the event that the Broker/Dealer is registered under the Commodity Exchange Act (the "CEA"), the net capital of the Broker/Dealer (as defined in and calculated in accordance with the CEA or the regulations thereunder) would be less than the percent or amount specified in Section 1.17(h)(2)(vii) of the regulations of the CFTC or any successor regulation in effect.

(b) If Prepayment is made and all or any part of the Collateral is returned or withdrawn prior to the Scheduled Maturity Date and if immediately after such Prepayment and return or withdrawal of Collateral the Broker/Dealer's net capital is less than the amount required to permit such Prepayment pursuant to the foregoing provisions of this paragraph, the Lender agrees irrevocably (whether or not such Lender had any knowledge or notice of such fact at the time of such Prepayment) to promptly, upon written notice from

the Broker/Dealer, execute and deliver to the Broker/Dealer, its successors or assigns, a note identical to and having a principal amount equal to the Note so returned or withdrawn (or in the case of a reduction, in a principal amount equal to the amount of such reduction) and to secure such note on the same terms as in this agreement with collateral having a Capital Requirements Value at the time of delivery at least equal to the face amount of the note required to be executed and delivered pursuant to this paragraph; provided, however, that any demand by the Broker/Dealer to recover such Prepayment must be made in writing to the Lender, a copy of which must be provided to FINRA, within 120 calendar days from the date of such Prepayment.

12. WITHDRAWAL OF NOTE

(a) So long as the Capital Requirements Value of the Collateral is not less than the Indebtedness, the Lender shall have the right, subject to the conditions hereof and provided there has been no prior demand by the Broker/Dealer for payment of the Note, to withdraw the Note and the Collateral on the Scheduled Maturity Date.

(b) No withdrawal of the Note shall be made until after written notice thereof has been given to FINRA and any similar institution with which the Broker/Dealer has qualified for privileges, the maintenance of which requires such notice.

13. RETURN OF COLLATERAL

If the unpaid principal amount of the Note is reduced pursuant to paragraph 9 or paragraph 11 hereof, the Broker/Dealer shall endorse the Note as discharged and satisfied to the extent of such reduction and shall return to the Lender such part, if any, of the Collateral therefor if the Capital Requirements Value of the remaining Collateral is not less than the Indebtedness.

14. ACCELERATION IN EVENT OF INSOLVENCY

Notwithstanding the provisions of paragraph 10 hereof, the Broker/Dealer's obligation to return the Note and the Collateral and to make payment of amounts accrued under paragraph 1(b) shall forthwith mature in the event of any receivership, insolvency, liquidation pursuant to SIPA or otherwise, bankruptcy, assignment for the benefit of creditors, reorganization whether or not pursuant to bankruptcy laws or any other marshalling of the assets and liabilities of the Broker/Dealer, but any right of the Lender to receive the same shall remain subordinate as herein above set forth.

15. WARRANTIES AND REPRESENTATIONS OF THE LENDER

(a) The Lender hereby warrants that the Lender has duly executed the Note (referred to at paragraph 1(a) of this agreement) and has duly delivered the Note to the Broker/Dealer; that upon such delivery the Broker/Dealer acquired good title thereto; that the Note is the valid and binding obligation of the Lender enforceable by the Broker/Dealer in accordance with its terms; that the Lender has duly and validly pledged with the

Broker/Dealer the Securities described in Schedule A annexed to the Note; and that the Broker/Dealer as pledgee of the Securities has the rights with respect thereto which are conferred upon it by this agreement. Each such representation and warranty shall survive the execution and delivery of the Note and the pledge of the Securities.

(b) The Lender represents that the Securities may be publicly offered and sold without registration under the Securities Act of 1933, as amended, and that the sale and transfer of the securities is not restricted by the Securities Act of 1933 nor is it restricted by any other law, agreement or in any other manner.

16. NOTICE OF MATURITY OR ACCELERATED MATURITY

The Broker/Dealer shall, in addition to any other notice required pursuant to this agreement, immediately notify FINRA if:

(a) any acceleration of maturity occurs pursuant to this agreement; or

(b) after giving effect to all Payments of Payment Obligations (as such terms are defined in (a)(2)(iv) of Appendix D of the Rule) under subordination agreements then outstanding that are then due or mature within the following six months without reference to any projected profit or loss of the broker or dealer, the net capital of the Broker/Dealer would be less than the Applicable Minimum Capital (as that term and criteria is defined in paragraph 10 of this Agreement.)

17. NON-LIABILITY OF FINRA

The Lender irrevocably agrees that the Note is not being made and this agreement is not being entered into in reliance upon the standing of the Broker/Dealer as a member of FINRA or upon FINRA's surveillance of the Broker/Dealer's financial position or its compliance with the By-Laws, rules and practices of FINRA. The Lender has made such investigation of the Broker/Dealer and its partners, officers, directors, stockholders and other principals, from sources other than FINRA, as the Lender deems necessary and appropriate under the circumstances. The Lender is not relying upon FINRA to provide, or cause to be provided, any information concerning or relating to the Broker/Dealer and agrees that FINRA has no responsibility to disclose, or cause to be disclosed, to the Lender any information concerning or relating to the Broker/Dealer which it may have now, or at any future time have. The Lender agrees that neither FINRA, nor any director, officer or employee of FINRA shall be liable to the Lender with respect to this agreement or the returns or payments (including interest or any other compensation) evidenced hereby.

18. CEA APPLICANT OR REGISTRANT NOTIFICATION REQUIREMENTS

If the Broker/Dealer is an applicant for registration or is registered under the CEA, the Broker/Dealer agrees, consistent with the requirements of Section 1.17(h) of the regulations of the CFTC (17 CFR 1.17(h)) or any successor regulation, that:

(a) whenever prior written notice by the Broker/Dealer to FINRA is required pursuant to the provisions of this agreement, the same prior written notice shall be given by the Broker/Dealer to (i) the CFTC and/or (ii) the commodity exchange of which the Broker/Dealer is a member and which is then designated by the CFTC as the Broker/Dealer's designated self-regulatory organization (the "DSRO");

(b) whenever prior written consent, permission or approval of FINRA is required pursuant to the provisions of this agreement, the Broker/Dealer shall also obtain the prior written consent, permission or approval of the CFTC and/or of the DSRO; and

(c) whenever the Broker/Dealer provides or receives written notice of acceleration of maturity pursuant to the provisions of this agreement, the Broker/Dealer shall promptly give written notice thereof to the CFTC and/or to the DSRO.

19. BROKER/DEALER AND LENDER

(a) The term “Broker/Dealer” as used in this agreement shall include the Broker/Dealer, its heirs, executors, administrators, successors and assigns. The provisions of this agreement shall be binding upon such persons.

(b) The term “Lender” as used in this agreement shall include the Lender, its heirs, executors, administrators, successors and assigns. This agreement shall be binding upon such persons.

20. EFFECT OF FINRA MEMBERSHIP TERMINATION

Upon termination of the Broker/Dealer as a member of FINRA, the references herein to FINRA will be deemed to refer to the then designated Examining Authority. The term "Examining Authority" shall refer to the regulatory body having responsibility for inspecting or examining the Broker/Dealer for compliance with the financial responsibility requirements under Section 78iii(c) of SIPA and Section 17(d) of the Act.

21. ENTIRE AGREEMENT

This instrument, together with annexed documents and any rider added pursuant to paragraph31, embodies the entire agreement between the Broker/Dealer and the Lender. No other evidence of such agreement has been or will be executed or effective without the prior written consent of FINRA.

22. CANCELLATION, TRANSFER, SALE AND ENCUMBERANCE

(a) This agreement shall not be subject to cancellation by either party.

(b) This agreement may not be terminated, rescinded or modified if the effect thereof would be inconsistent with the requirements of the Rule or Appendix D to the Rule. Any and all amendments or modifications to this agreement require the prior written approval of

FINRA.

(c) The rights and obligations under this agreement may not be transferred, sold, assigned, pledged, or otherwise encumbered or disposed of, and no lien, charge or other encumbrance may be created or permitted to be created thereon without the prior written consent of FINRA.

23. NO RIGHT OF SET-OFF

The Lender agrees that it is not taking and will not take or assert as security for the payment pursuant to this agreement any security interest in or lien upon, whether created by contract, statute or otherwise, any property of the Broker/Dealer or any property, other than the Subordinated Loan Agreement issued pursuant to paragraph 8 and the terms of this agreement, in which the Broker/Dealer may have an interest, which is or at any time may be in the possession or subject to the control of the Lender. The Lender hereby waives, and further agrees that it will not seek to obtain payment in whole or in any part by exercising any right of set-off it may assert or possess whether created by contract, statute or otherwise. Any agreement between the Broker/Dealer and the Lender (whether in the nature of a general loan and collateral agreement, a security or pledge agreement or otherwise) shall be deemed amended hereby to the extent necessary so as not to be inconsistent with the provisions of this paragraph.

24. NOTICES

Any notice required or permitted to be given under this agreement shall be sufficiently given if in writing delivered to or sent by registered mail or certified mail (or, in the case of the immediate written notice called for in Paragraph 6, by means of electronic communication) to the appropriate party at the address set forth in this agreement, or at any such other address as such party may from time to time specify for the purpose in a notice similarly given.

25. EFFECT OF DEFAULT

Default in any payment hereunder, including the payment of interest, shall not accelerate the maturity hereof except as herein specifically provided, and the obligation to make payment shall remain subordinate as herein above set forth.

26. ARBITRATION

Any controversy arising out of or relating to this agreement or the breach thereof shall be submitted to and settled by arbitration pursuant to the By-Laws and rules of FINRA. The Broker/Dealer and the Lender shall be conclusively bound by such arbitration.

27. GOVERNING LAW

This agreement shall be deemed to have been made under, and shall be governed by, the laws of the State of _____ in all respects.

_____ 28. LIQUIDATION OF BROKER/DEALER IF SUSPENDED FOR 6 MONTHS OR MORE **[OPTIONAL]**

If pursuant to the terms of paragraph 10 hereof, the Broker/Dealer's obligation to pay the principal amount hereof is suspended and does not mature, the Broker/Dealer agrees (and the Lender recognizes) that if its obligation to pay the principal amount hereof is ever suspended for a period of six months or more, it will promptly take whatever steps are necessary to effect a rapid and orderly complete liquidation of its business but the right of the Lender to receive payment hereunder shall remain subordinate as herein above set forth.

_____ 29. ACCELERATED MATURITY UPON THE OCCURRENCE OF AN EVENT OF DEFAULT **[OPTIONAL]**

(a) Notwithstanding the provisions of paragraph 10 hereof, if liquidation of the business of the Broker/Dealer has not already commenced, the payment obligation of the Broker/Dealer under this agreement shall mature, together with accrued interest or compensation thereon, upon the occurrence of an Event of Default (as herein after defined). The date on which such Event of Default occurs shall, if liquidation of the broker or dealer has not already commenced, be the date on which the payment obligations of the Broker/Dealer with respect to all other subordination agreements then outstanding shall mature but the right of the Lender to receive payment, together with accrued interest or compensation, shall remain subordinate as herein above set forth.

(b) Events of Default which may be included in a subordination agreement are limited by paragraph (b)(10)(ii) of Appendix D to the Rule and are limited to:

(i) The making of an application by the Securities Investor Protection Corporation for a decree adjudicating that customers of the broker or dealer are in need of protection under the SIPA and the failure of the broker or dealer to obtain the dismissal of such application within 30 days;

(ii) The aggregate indebtedness of the broker or dealer exceeding 1500 percent of its net capital or, in the case of a broker or dealer that has elected to operate under paragraph (a)(1)(ii) of the Rule, its net capital computed in accordance therewith is less than 2 percent of its aggregate debit items computed in accordance with Exhibit A to Rule 15c3-3 under the Act or, if registered as a futures commission merchant, 4 percent of the funds required to be segregated pursuant to the CEA and the regulations thereunder (less the market value of commodity options purchased by option

customers on or subject to the rules of a contract market, each such deduction not to exceed the amount of funds in the option customer's account), if greater, throughout a period of 15 consecutive business days, commencing on the day the broker or dealer first determines and notifies the Examining Authority for the broker or dealer, or the Examining Authority or the Commission first determines and notifies the broker or dealer of such fact;

(iii) The Commission shall revoke the registration of the broker or dealer;

(iv) The Examining Authority shall suspend (and not reinstate within 10 days) or revoke the broker's or dealer's status as a member thereof;

(v) Any receivership, insolvency, liquidation pursuant to the SIPA or otherwise, bankruptcy, assignment for the benefit of creditors, reorganization whether or not pursuant to bankruptcy laws, or any other marshalling of the assets and liabilities of the broker or dealer.

(c) The Events of Default included in this agreement are as follows:

_____

_____

_____

_____

_____

_____

_____ 30. LIQUIDATION OF BROKER/DEALER UPON THE OCCURRENCE OF AN EVENT OF DEFAULT **[OPTIONAL]**

(a) If liquidation of the business of the Broker/Dealer has not already commenced, the rapid and orderly liquidation of the business of the Broker/Dealer shall then commence upon the happening of an Event of Default (defined in paragraph 31.)

_____ 31. OPTIONAL RIDER **[OPTIONAL]**

By incorporating this provision, the Broker/Dealer and Lender agree to include as part of this agreement the terms and provisions contained in the rider annexed to this agreement, to be entitled "Rider A to the Secured Demand Note Collateral Agreement dated the _____ day of _____, 20__." The parties hereto may, via the annexed rider, add any mutually agreed upon term that is acceptable to FINRA and is not inconsistent with the Rule or Appendix D to the Rule. The parties, by incorporating this provision and the terms included in the incorporated rider, represent to FINRA, for its reliance, that no provision of the rider, singly or in combination with any or all of the provisions of this

agreement, is inconsistent with any provision of Appendix D to the Rule or of any other applicable provision of the SEA, the rules and regulations thereunder, or the rules of FINRA, nor do any such provisions impede the ability of the Broker/Dealer to comply therewith.

32. REPRESENTATIONS

The parties to this agreement, by affixing their signatures to this agreement represent to FINRA, for its reliance, that:

(a) this agreement is a legally valid and binding obligation on the parties; and

(b) this agreement, executed below, conforms in every respect to and with any draft hereof which may have been heretofore submitted to and approved by FINRA for actual execution.

33. EXECUTION

IN WITNESS HEREOF the parties hereto have set their hands and seals this _____ day of _____, 20__.

By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
(Broker/Dealer)	(Lender)

FINRA Form SDN – 32T
ANNEX I

SECURED DEMAND NOTE

_____
(Broker/Dealer)

$_____ _____, 20__
(Date)

FOR VALUE RECEIVED, _____ (the “Lender”) promises to pay to _____ (the "Broker/Dealer") at its principal office at _____ (where presentment and demand for payment shall be made), without interest, the sum of _____ Dollars ($_____), on demand.

This Note is secured at its date by the pledge of the securities and cash, if any, described in Schedule A annexed hereto. The Lender agrees that whenever the value, determined in accordance with the capital requirements rules and regulations of FINRA and of the SEC applicable to the Broker/Dealer at the time of such valuation, of the securities and cash securing this Note is less than the unpaid balance of this Note, the Broker/Dealer shall exercise the rights set forth in paragraph 6(c) of the Secured Demand Note Collateral Agreement (the "Collateral Agreement") of even date between the Lender and the Broker/Dealer without a need for first making a demand for payment hereof.

This Note and the securities and cash from time to time pledged to secure it are subject in all respects to the provisions of the Collateral Agreement, which are deemed to be incorporated herein and a copy of which may be examined at the principal office of the Broker/Dealer.

The Broker/Dealer agrees, for itself, its representatives, successors and assigns (1) that neither the Lender, its heirs, executors, administrators or assigns shall be personally liable on this Note, it being intended that the Lender’s obligation to pay the principal amount of this Note is included for the sole purpose of establishing the existence of the indebtedness represented hereby and (2) that in the event of default by the Lender, the Broker/Dealer and any such successor or assign shall look for payment solely to the security of the property then pledged to secure the same and will not make claim or institute any action or proceeding against the Lender, its heirs, executors, administrators or assigns for the payment of this Note (or for any deficiency remaining after application of the property pledged to secure this Note, or otherwise); provided, however, that nothing herein contained shall be construed to release or impair the indebtedness evidenced by this Note,

or of the lien upon the property pledged to secure it, or preclude the application of said pledged property to the payment hereof in accordance with the provisions of the Collateral Agreement.

The Broker/Dealer further agrees that it will make a demand for payment hereof only after it determines in good faith that an event of financial restriction has occurred, provided, however, that no failure to make such a determination in good faith shall affect the effectiveness of a demand, or give rise to any claim which is superior to the Lender's claim under the Collateral Agreement for the withdrawal, return or reduction of this Note.

The term "event of financial restriction" shall mean for the purposes hereof any of the following events:

(a) whenever additional cash is required by the Broker/Dealer to continue its current operations;

(b) whenever the Broker/Dealer requires additional net capital under the then applicable requirements, rules and regulations of FINRA, Rule 15c3-1 of the Securities and Exchange Commission (the "SEC") promulgated under the Securities Exchange Act of 1934, or any successor rule as may be applicable to the Broker/Dealer from time to time promulgated by FINRA, the SEC or a governmental agency or body having appropriate authority; or

(c) the appointment of a receiver or trustee of the Broker/Dealer or any insolvency, liquidation pursuant to the Securities Investor Protection Act of 1970 or otherwise, its bankruptcy, assignment for the benefit of creditors, reorganization whether or not pursuant to the bankruptcy laws, or any other marshalling of the assets and liabilities of the Broker/Dealer.

_____
(Lender or Authorized Signatory)

_____
(Authorized Signatory of Broker/Dealer)

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ANNEX I
SCHEDULE A

SCHEDULE OF COLLATERAL FOR SECURED DEMAND NOTE *

_____
(Broker/Dealer)

_____
(Lender)

Cash Pledged: $_____

Securities Pledged:

Stocks:

Number of Shares	Description (e.g. Symbol, Name)

Bonds:

Principal Amount	Description (e.g. Name, Maturity)

Other:

Principal Amount	Description (e.g. Name, Maturity)

* Only cash and securities which are fully paid for and which may be publicly offered or sold without registration under the Securities Act of 1933, and the offer, sale

and transfer of which are not, in any manner, otherwise restricted, may be pledged as collateral to secure a secured demand note.

(NOT TO BE EXECUTED UNTIL AN EVENT PURSUANT TO PARAGRAPH 8 OF THE COLLATERAL AGREEMENT HAS OCCURRED)

FINRA Form SDN – 32T
ANNEX II

_____
(Name of Broker/Dealer)

TEMPORARY SUBORDINATED LOAN AGREEMENT

$_____ Principal Amount Date: _____, 20__

1. GENERAL

(a) Subject to the terms and conditions hereinafter set forth, _____ (the "Broker/Dealer") promises to pay to _____ (the "Lender") on _____, 20__ (the "Scheduled Maturity Date") (a date no later than the Scheduled Maturity Date of the related Secured Demand Note Collateral Agreement) at the principal office of the Broker/Dealer, $_____ and interest payable _____ at the rate of _____% per annum from the date hereof.

(b) The proceeds hereof shall be dealt with in all respects as capital of the Broker/Dealer, shall be subject to the risks of its business, and the Broker/Dealer shall have the right to deposit the proceeds hereof in an account or accounts in the Broker/Dealer's name in any bank or trust company.

(c) This Agreement shall not be effective or deemed to constitute a satisfactory subordination agreement under Appendix D to Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the "Act" or "SEA"), unless and until the Financial Industry Regulatory Authority ("FINRA") has found the agreement acceptable as to form and content.

(d) This document contains several provisions which are optional and may be included in this Agreement if the parties mutually agree to incorporate such provisions. Each such provision is flagged by **[OPTIONAL]** appearing at the conclusion of its heading. The space to the left of each such provision enables the parties to indicate, by entering the word "Included", to incorporate the particular provision(s). Any provision noted as **[OPTIONAL]** that has the word "Excluded" in the space to the left of such provision or lacks any appropriate indication for inclusion, by default, will not be included in this Agreement. In addition, paragraph 21 of this Agreement ("Optional Rider"), if incorporated by the

parties, presents a vehicle for the parties to add their own provisions to this Agreement, subject to the terms and conditions there stated.

2. SUBORDINATION OF OBLIGATIONS

The Lender irrevocably agrees that the obligations of the Broker/Dealer under this Agreement with respect to the payment of principal and interest are and shall be fully and irrevocably subordinate in right of payment and subject to the prior payment or provision for payment in full of all claims of all other present and future creditors of the Broker/Dealer whose claims are not similarly subordinated (claims hereunder shall rank pari passu with claims similarly subordinated) and to claims which are now or hereafter expressly stated in the instruments creating such claims to be senior in right of payment to the claims of the class of this claim arising out of any matter occurring prior to the date on which the Broker/Dealer's obligation to make such payment matures consistent with the provisions hereof. In the event of the appointment of a receiver or trustee of the Broker/Dealer or in the event of its insolvency, liquidation pursuant to the Securities Investor Protection Act of 1970 ("SIPA") or otherwise, its bankruptcy, assignment for the benefit of creditors, reorganization whether or not pursuant to bankruptcy laws, or any other marshalling of the assets and liabilities of the Broker/Dealer, the holder hereof shall not be entitled to participate or share, ratably or otherwise, in the distribution of the assets of the Broker/Dealer until all claims of all other present and future creditors of the Broker/Dealer, whose claims are senior hereto, have been fully satisfied, or adequate provision has been made therefor.

3. SUSPENDED REPAYMENT

(a) The Broker/Dealer's obligation to pay the principal amount hereof on the Scheduled Maturity Date or any accelerated maturity date shall be suspended and the obligation shall not mature for any period of time during which, after giving effect to such payment obligation (together with the payment of any other obligation of the Broker/Dealer under any other subordination agreement payable at or prior to the payment hereof as well as the return of any Secured Demand Note and the Collateral therefor held by the Broker/Dealer and returnable at or prior to the payment hereof), any of the following circumstances apply at the time payment is to be made:

(i) in the event that the Broker/Dealer is not operating pursuant to the alternative net capital requirement provided for in paragraph (a)(1)(ii) of Rule 15c3-1 (the "Rule") under the Act, the aggregate indebtedness of the Broker/Dealer would exceed 1200 percent of its net capital as those terms are defined in the Rule or any successor rule in effect, or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the Securities and Exchange Commission (the "SEC"), or

(ii) in the event that the Broker/Dealer is operating pursuant to paragraph (a)(1)(ii) of the Rule (the "Alternative Net Capital Requirement"), the net capital of the Broker/Dealer would be less than 5 percent (or such

other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC) of aggregate debit items computed in accordance with Exhibit A to Rule 15c3-3 under the Act or any successor rule in effect, or

(iii) the Broker/Dealer's net capital, as defined in the Rule or any successor rule in effect, would be less than 120 percent (or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC) of the minimum dollar amount required by the Rule in effect at such time (or such other dollar amount as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC), or

(iv) in the event that the Broker/Dealer is subject to the provisions of Paragraph (a)(6)(v) or (c)(2)(x)(C) of the Rule, the net capital of the Broker/Dealer would be less than the amount required to satisfy the 1000 percent test (or such other percent test as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC) stated in such applicable paragraph, or

(v) in the event that the Broker/Dealer is registered under the Commodity Exchange Act (the "CEA"), the net capital of the Broker/Dealer (as defined in and calculated in accordance with the CEA or the regulations thereunder) would be less than the percent or amount specified in Section 1.17(h)(2)(viii) of the regulations of the Commodity Futures Trading Commission ("CFTC") or any successor regulation in effect

(the above criteria being hereinafter referred to as the "Applicable Minimum Capital").

(b) During any such period of suspension the Broker/Dealer shall, as consistent with the protection of its customers, promptly reduce its business to a condition whereby the principal amount hereof with accrued interest thereon could be paid (together with the payment of any other obligation of the Broker/Dealer under any other subordination agreement payable at or prior to the payment hereof as well as the return of any Secured Demand Note and the Collateral therefor held by the Broker/Dealer and returnable at or prior to the payment hereof) without the Broker/Dealer's net capital being below the Applicable Minimum Capital, at which time the Broker/Dealer shall repay the principal amount hereof plus accrued interest thereon on not less than five days' prior written notice to FINRA.

(c) The aggregate principal amount outstanding pursuant to this Agreement shall mature on the first day at which under this paragraph 3 the Broker/Dealer has an obligation to pay the principal amount hereof.

(d) If payment is made of all or any part of the principal hereof on the Scheduled Maturity Date or any accelerated maturity date and if immediately after any such payment the Broker/Dealer's net capital is less than the Applicable Minimum Capital, the Lender agrees irrevocably (whether or not such Lender had any knowledge or notice of such fact at the time of any such payment) to repay to the Broker/Dealer, its successors or assigns, the sum so paid, to be held by the Broker/Dealer pursuant to the provisions hereof as if such payment had never been made; provided, however, that any demand by the Broker/Dealer to recover such payment must be made in writing to the Lender, a copy of which must be provided to FINRA, within 120 calendar days from the date of such payment.

(e) The Broker/Dealer shall immediately notify FINRA of any suspension of its obligations to pay the principal amount hereof.

_____ 4. LIQUIDATION OF BROKER/DEALER IF SUSPENDED FOR 6 MONTHS OR MORE **[OPTIONAL]**

If pursuant to the terms of paragraph 3 hereof, the Broker/Dealer's obligation to pay the principal amount hereof is suspended and does not mature, the Broker/Dealer agrees (and the Lender recognizes) that if its obligation to pay the principal amount hereof is ever suspended for a period of six months or more, it will promptly take whatever steps are necessary to effect a rapid and orderly complete liquidation of its business but the right of the Lender to receive payment hereunder shall remain subordinate as herein above set forth.

_____ 5. PERMISSIVE PREPAYMENT **[OPTIONAL]**

(a) With the prior written approval of FINRA, the Broker/Dealer may, at its option, but not at the option of the Lender, make a payment of all or any portion of the principal amount hereof to the Lender prior to the Scheduled Maturity Date (hereinafter referred to as a "Prepayment") at any time subsequent to the effective date of this Agreement. However, no Prepayment shall be made if, after giving effect thereto (and to all other payments of principal of outstanding subordination agreements of the Broker/Dealer, including the return of any Secured Demand Note and the Collateral therefor held by the Broker/Dealer, the maturity or accelerated maturity of which are scheduled to occur within six months after the date such Prepayment is to occur pursuant to the provisions of this paragraph, or on or prior to the Scheduled Maturity Date for payment of the principal amount hereof disregarding this paragraph, whichever date is earlier) without reference to any projected profit or loss of the Broker/Dealer, any of the following circumstances apply at the time Prepayment is to be made:

(i) in the event that the Broker/Dealer is not operating pursuant to the Alternative Net Capital Requirement, the aggregate indebtedness of the Broker/Dealer would exceed 1000 percent of its net capital as those terms are defined in the Rule or any successor rule in effect (or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC), or

(ii) in the event that the Broker/Dealer is operating pursuant to the Alternative Net Capital Requirement, the net capital of the Broker/Dealer would be less than 5 percent (or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC) of aggregate debit items computed in accordance with Exhibit A to Rule 15c3-3 under the Act or any successor rule in effect, or

(iii) the Broker/Dealer's net capital, as defined in the Rule or any successor rule in effect, would be less than 120 percent (or such other percent as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC) of the minimum dollar amount required by the Rule in effect at such time (or such other dollar amount as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC), or

(iv) in the event that the Broker/Dealer is subject to the provisions of paragraph (a)(6)(v) or (c)(2)(x)(C) of the Rule, the net capital of the Broker/Dealer would be less than the amount required to satisfy the 1000 percent test (or such other percent test as may be made applicable to the Broker/Dealer by FINRA, pursuant to its rules, or by the SEC) stated in such applicable paragraph, or

(v) in the event that the Broker/Dealer is registered under the Commodity Exchange Act (the "CEA"), the net capital of the Broker/Dealer (as defined in and calculated in accordance with the CEA or the regulations thereunder) would be less than the percent or amount specified in Section 1.17(h)(2)(vii)(A) of the regulations of the CFTC or any successor regulation in effect.

(b) If Prepayment is made of all or any part of the principal hereof prior to the Scheduled Maturity Date and if the Broker/Dealer's net capital is less than the amount required to permit such Prepayment pursuant to the foregoing provisions of this paragraph, the Lender agrees irrevocably (whether or not such Lender had any knowledge or notice of such fact at the time of such Prepayment) to repay the Broker/Dealer, its successors or assigns, the sum so paid to be held by the Broker/Dealer pursuant to the provisions hereof as if such Prepayment had never been made; provided, however, that any demand by the Broker/Dealer to recover such Prepayment must be made in writing to the Lender, a copy of which must be provided to FINRA, within 120 calendar days from the date of such Prepayment.

_____ 6. ACCELERATED MATURITY UPON THE OCCURRENCE OF AN EVENT OF DEFAULT **[OPTIONAL]**

(a) Notwithstanding the provisions of paragraph 3 hereof, if liquidation of the business of the Broker/Dealer has not already commenced, the payment obligation of the Broker/Dealer under this Agreement shall mature, together with accrued interest or compensation thereon, upon the occurrence of an Event of Default (as herein after defined). The date on which such Event of Default occurs shall, if liquidation of the broker or dealer has not already commenced, be the date on which the payment obligations of the Broker/Dealer with respect to all other subordination agreements then outstanding shall mature but the right of the Lender to receive payment, together with accrued interest or compensation, shall remain subordinate as herein above set forth.

(b) Events of Default which <u>may</u> be included in a subordination agreement are limited by paragraph (b)(10)(ii) of Appendix D to the Rule and are limited to:

(i) The making of an application by the Securities Investor Protection Corporation for a decree adjudicating that customers of the broker or dealer are in need of protection under the SIPA and the failure of the broker or dealer to obtain the dismissal of such application within 30 days;

(ii) The aggregate indebtedness of the broker or dealer exceeding 1500 percent of its net capital or, in the case of a broker or dealer that has elected to operate under paragraph (a)(1)(ii) of the Rule, its net capital computed in accordance therewith is less than 2 percent of its aggregate debit items computed in accordance with Exhibit A to Rule 15c3-3 under the Act or, if registered as a futures commission merchant, 4 percent of the funds required to be segregated pursuant to the CEA and the regulations thereunder (less the market value of commodity options purchased by option customers on or subject to the rules of a contract market, each such deduction not to exceed the amount of funds in the option customer's account), if greater, throughout a period of 15 consecutive business days, commencing on the day the broker or dealer first determines and notifies the Examining Authority for the broker or dealer, or the Examining Authority or the Commission first determines and notifies the broker or dealer of such fact;

(iii) The Commission shall revoke the registration of the broker or dealer;

(iv) The Examining Authority shall suspend (and not reinstate within 10 days) or revoke the broker's or dealer's status as a member thereof;

(v) Any receivership, insolvency, liquidation pursuant to the SIPA or otherwise, bankruptcy, assignment for the benefit of creditors, reorganization whether or not pursuant to bankruptcy laws, or any other marshalling of the assets and liabilities of the broker or dealer.

(c) The Events of Default included in this Agreement are as follows:

_____

_____

_____

_____

_____

_____

_____ 7. LIQUIDATION OF BROKER/DEALER UPON THE OCCURRENCE OF AN EVENT OF DEFAULT **[OPTIONAL]**

If liquidation of the business of the Broker/Dealer has not already commenced, the rapid and orderly liquidation of the business of the Broker/Dealer shall then commence upon the happening of an Event of Default (defined in paragraph 6.)

8. ACCELERATION IN EVENT OF INSOLVENCY

Notwithstanding the provisions of paragraph 3 hereof, the Broker/Dealer's obligation to pay the unpaid principal amount hereof shall forthwith mature, together with interest accrued thereon, in the event of any receivership, insolvency, liquidation pursuant to SIPA or otherwise, bankruptcy, assignment for the benefit of creditors, reorganization whether or not pursuant to bankruptcy laws, or any other marshalling of the assets and liabilities of the Broker/Dealer; but payment of the same shall remain subordinate as herein above set forth.

9. EFFECT OF DEFAULT

Default in any payment hereunder, including the payment of interest, shall not accelerate the maturity hereof except as herein specifically provided, and the obligation to make payment shall remain subordinate as herein above set forth.

10. NOTICE OF MATURITY OR ACCELERATED MATURITY

The Broker/Dealer shall, in addition to any other notice required pursuant to this agreement, immediately notify FINRA if:

(a) any acceleration of maturity occurs pursuant to the this Agreement; or

(b) after giving effect to all Payments of Payment Obligations (as such terms are defined in (a)(2)(iv) of Appendix D of the Rule) under subordination agreements then outstanding that are then due or mature within the following six months without reference to any projected profit or loss of the broker or dealer, the net capital of the Broker/Dealer

would be less than the Applicable Minimum Capital (as that term and criteria is defined in paragraph 3 of this Agreement.)

11. NON-LIABILITY OF FINRA

The Lender irrevocably agrees that the loan evidenced hereby is not being made in reliance upon the standing of the Broker/Dealer as a member of FINRA or upon FINRA's surveillance of the Broker/Dealer's financial position or its compliance with the By-Laws, rules and practices of FINRA. The Lender has made such investigation of the Broker/Dealer and its partners, officers, directors, stockholders and other principals, from sources other than FINRA, as the Lender deems necessary and appropriate under the circumstances. The Lender is not relying upon FINRA to provide, or cause to be provided, any information concerning or relating to the Broker/Dealer and agrees that FINRA has no responsibility to disclose, or cause to be disclosed, to the Lender any information concerning or relating to the Broker/Dealer which it may have now, or at any future time have. The Lender agrees that neither FINRA, nor any director, officer or employee of FINRA, shall be liable to the Lender with respect to this Agreement or the repayment of the loan evidenced hereby or of any interest or other compensation thereon.

12. CEA APPLICANT OR REGISTRANT NOTIFICATION REQUIREMENTS

If the Broker/Dealer is an applicant for registration or registered under the CEA, the Broker/Dealer agrees, consistent with the requirements of Section 1.17(h) of the regulations of the CFTC (17 CFR 1.17(h)) or any successor regulation, that:

(a) whenever prior written notice by the Broker/Dealer to FINRA is required pursuant to the provisions of this Agreement, the same prior written notice shall be given by the Broker/Dealer to (i) the CFTC and/or (ii) the commodity exchange of which the Broker/Dealer is a member and which is then designated by the CFTC as the Broker/Dealer's designated self-regulatory organization (the "DSRO");

(b) whenever prior written consent, permission or approval of FINRA is required pursuant to the provisions of this Agreement, the Broker/Dealer shall also obtain the prior written consent, permission or approval of the CFTC and/or of the DSRO; and

(c) whenever the Broker/Dealer provides or receives written notice of acceleration of maturity pursuant to the provisions of this Agreement, the Broker/Dealer shall promptly give written notice thereof to the CFTC and/or to the DSRO.

13. BROKER/DEALER AND LENDER

(a) The term "Broker/Dealer" as used in this Agreement shall include the Broker/Dealer, its heirs, executors, administrators, successors and assigns. The provisions of this Agreement shall be binding upon such persons.

(b) The term "Lender" as used in this Agreement shall include the Lender, its heirs,

executors, administrators, successors and assigns. The provisions of this Agreement shall be binding upon such persons.

14. EFFECT OF FINRA MEMBERSHIP TERMINATION

Upon termination of the Broker/Dealer as a member of FINRA, the references herein to FINRA shall be deemed to refer to the then designated Examining Authority. The term "Examining Authority" shall refer to the regulatory body having responsibility for inspecting or examining the Broker/Dealer for compliance with financial responsibility requirements under Section 78iii(c) of SIPA and Section 17(d) of the Act.

15. EFFECTIVE DATE

This Agreement shall be effective from the date on which it is approved by FINRA and executed by the parties and shall not be modified or amended without the prior written approval of FINRA.

16. ENTIRE AGREEMENT

This instrument, together with any rider incorporated pursuant to paragraph 21 of this Agreement, embodies the entire agreement between the Broker/Dealer and the Lender. No other evidence of such agreement has been or will be executed or effective without the prior written consent of FINRA.

17. CANCELLATION, TRANSFER, SALE AND ENCUMBERANCE

(a) This Agreement shall not be subject to cancellation by either party.

(b) This Agreement may not be terminated, rescinded or modified if the effect thereof would be inconsistent with the requirements of the Rule or Appendix D to the Rule. Any and all amendments or modifications to this Agreement require the prior written approval of FINRA.

(c) The rights and obligations under this Agreement may not be transferred, sold, assigned, pledged, or otherwise encumbered or disposed of, and no lien, charge or other encumbrance may be created or permitted to be created thereon without the prior written consent of FINRA.

18. NO RIGHT OF SET-OFF

The Lender agrees that it is not taking and will not take or assert as security for the payment of the loan any security interest in or lien upon, whether created by contract, statute or otherwise, any property of the Broker/Dealer or any property in which the Broker/Dealer may have an interest, which is or at any time may be in the possession or subject to the control of the Lender. The Lender hereby waives, and further agrees that it will not seek to obtain payment of the loan in whole or in any part by exercising any right of

set-off it may assert or possess whether created by contract, statute or otherwise. Any agreement between the Broker/Dealer and the Lender (whether in the nature of a general loan and collateral agreement, a security or pledge agreement or otherwise) shall be deemed amended hereby to the extent necessary so as not to be inconsistent with the provisions of this paragraph.

19. ARBITRATION

Any controversy arising out of or relating to this agreement shall be submitted to and settled by arbitration pursuant to the By Laws and Rules of FINRA. The Broker/Dealer and the Lender shall be conclusively bound by such arbitration.

20. GOVERNING LAW

This agreement shall be deemed to have been made under, and shall be governed by, the laws of the State of _____ in all respects.

_____ 21. OPTIONAL RIDER **[OPTIONAL]**

By incorporating this provision, the Broker/Dealer and Lender agree to include as part of this Agreement the terms and provisions contained in the rider annexed to this Agreement, to be entitled "Rider to the Temporary Subordinated Loan Agreement dated the _____ day of _____, 20__". The parties hereto may, via the annexed rider, add any mutually agreed upon term that is acceptable to FINRA and is not inconsistent with the Rule or Appendix D to the Rule. The parties, by incorporating this provision and the terms included in the incorporated rider, represent to FINRA, for its reliance, that no provision of the rider, singly or in combination with any or all of the provisions of this Agreement is inconsistent with any provision of Appendix D to the Rule or of any other applicable provision of the SEA, the rules and regulations thereunder, or the rules of FINRA, nor do any such provisions impede the ability of the Broker/Dealer to comply therewith.

22. REPRESENTATIONS

The parties to this Agreement, by affixing their signatures to this Agreement represent to FINRA, for its reliance, that:

(a) this Agreement is a legally valid and binding obligation on the parties; and

(b) this Agreement, as executed below, conforms in every respect to and with any draft hereof which may have been heretofore submitted to and approved by FINRA for actual execution.

23. EXECUTION

IN WITNESS HEREOF the parties hereto have set their hands and seals this _____ day of _____, 20__.

By: _____

Name: _____

Title: _____
(Broker/Dealer)

By: _____

Name: _____

Title: _____
(Lender)