



SUBORDINATION AGREEMENT (Allowing Payments)

I. PARTIES:

The parties to this Agreement are:

_____, hereinafter called Contractor.

_____, hereinafter called Creditor.

The Guarantee Company of North America USA, hereinafter called Surety.

II. RECITALS:

This Agreement is entered into in the light of these facts and circumstances:

1. From time to time Contractor may request Surety to execute instruments of suretyship on its behalf, hereinafter called bonds.
2. Contractor is indebted to creditor in the sum of _____ as evidenced by _____
3. Contractor and Creditor desire Surety to furnish bonds as requested by Contractor and as an inducement therefor to enter into the following Agreement.

III. COVENANTS:

In consideration of the furnishing of such bond by Surety, it is agreed by all the parties hereto as follows:

1. Creditor hereby subordinates all rights and claims against Contractor on account of the mentioned indebtedness to any and all rights and claims of Surety on account of loss as defined herein. Loss shall mean any and all loss or expense of whatever kind, including interest, court costs and counsel fees which Surety incurs or sustains as a result of or in connection with any bond furnished by Surety. Originals or photocopies of claim drafts, or of payment records kept in the ordinary course of business, including computer print-outs, verified by affidavit, shall be prima facie evidence of the fact and amount of Surety's loss and Surety shall be entitled to reimbursement for any and all disbursements made by it in good faith, under the belief that it was liable, or that such disbursement was necessary or expedient.
2. Surety's loss shall be paid in full out of the assets of Contractor before any payment on account of the mentioned indebtedness is made to or realized by Creditor.
3. Creditor hereby assigns to Surety its rights and claims on account of such indebtedness so that in the event of reorganization, receivership, bankruptcy or insolvency of Contractor, Surety may enforce such rights and claims and may have dividends thereon until Surety is reimbursed in full for its loss.
4. Creditor and Contractor agree that until Surety has been provided with competent legal evidence of the release or exoneration of each and every bond, the mentioned indebtedness shall remain unchanged and unliquidated except



and that neither will by act or omission procure or permit the reduction of such indebtedness, nor will Creditor sell, transfer or hypothecate said indebtedness or convert the same into stock or other equity interest, nor will Creditor take or receive or cause others to take or receive any property of the Contractor, as security, collateral, guarantee or otherwise for application to said indebtedness.

5. Creditor agrees that in the event of the breach of any of the terms of this Agreement, all funds and the value of any property and any benefit received by Creditor in connection with such breach shall be held in trust by Creditor for the benefit of Surety, to be paid by Creditor to Surety on demand in reimbursement of its loss. Creditor further agrees to compensate Surety for any damage, in the form of loss or otherwise, sustained by it and caused or contributed to by such breach.
6. This Agreement shall apply to bonds executed and furnished by Surety and where procured by Surety, to bonds executed by any other surety as sole surety or as co-surety, and the rights hereunder shall inure to the benefit of Surety, such other surety, if any, and their reinsurers, if any.
7. This Agreement shall apply to bonds provided or furnished both before and after the effective date of this Agreement and all alterations, renewals, extensions and modifications thereof.
8. Creditor and Contractor agree that Surety's rights under this Agreement are in addition to, and not in lieu of, any and all rights which Surety may have under other agreements or otherwise.
9. Creditor reserves the right to terminate this Agreement as a continuing inducement to Surety for the furnishing of bonds, upon written notice to Surety of not less than twenty days, whereupon the effect of this Agreement shall be limited to the bonds furnished before the effective date of the notice.

Executed this _____ day of _____, _____.

Attest or Witness:

_____ Witness	_____ Contractor By: _____ Contractor
_____ Witness	_____ Creditor By: _____ Creditor
_____ Witness	_____ Surety By: _____ Surety