

SUBORDINATION AGREEMENT

I. PARTIES:

The parties to this Agreement are:

1. _____, hereinafter called Contractor.
2. _____, hereinafter called Creditor.
3. _____, hereinafter called Surety.

II. RECITALS:

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

- (1) From the time Contractor may request Surety to execute instruments of suretyship on its behalf, hereafter 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 enter into the following Agreement.

III. COVENANTS:

In consideration of the furnishing of any such Bond by Surety, Contractor and Creditor hereby agrees 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 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 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.
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 Reinsures, if any; and shall apply to Modifications of any such Bonds.
7. Modifications of a Bond shall include, but are not limited to renewals, substitutions, riders, endorsements, reinstatements, replacements, increases or decreases in penal sum, continuations, and extensions.

(over)

8. 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.
9. 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.
10. Creditor reserves the right to terminate this Agreement as a continuing inducement to Surety for the furnishing of Bonds, upon written notice to Surety at its Offices at _____ of not less than twenty days, whereupon the effect of this Agreement shall be limited to (a) Bonds executed or authorized before the effective date of the notice and any Modifications to such Bonds; (b) Bonds executed pursuant to bid or proposal bonds executed or authorized prior to the effective date of the notice, any Modifications to such Bonds; and (c) any maintenance or guarantee Bonds thereafter executed incidental to any other Bond which is executed prior to the effective date of this notice and any Modifications to such Bonds.

Executed this _____ day of _____, 20__.

By _____
Contractor

By _____
Creditor

State of _____ }
County of _____ } ss

I certify that I know or have satisfactory evidence that _____
NAME OF PERSON

who personally appeared before me, signed this instrument and acknowledged it to be (his/her) free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: _____

(Seal or stamp) Signature of Notary Public _____

Title: _____

State of _____ }
County of _____ } ss

I certify that I know or have satisfactory evidence that _____
NAME OF PERSON

who personally appeared before me, signed this instrument on oath stated that (he/she) was authorized to execute the instrument and acknowledge it as

the _____
(TYPE OF AUTHORITY, E.G., OFFICER, TRUSTEE, ETC.)

of _____ to be the free
(NAME OF PARTY ON BEHALF OF WHO INSTRUMENT WAS EXECUTED)

and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

(Seal or stamp) Signature of Notary Public _____

Title: _____

My appointment expires _____