

SUBORDINATION AGREEMENT

THIS AGREEMENT made effective the ____ day of _____, _____.

BETWEEN:

POSTPONING CREDITOR
(the "Postponing Creditor")

OF THE FIRST PART

- and -

SENIOR CREDITOR
(the "Senior Creditor")

OF THE SECOND PART

- and -

BORROWER
(the "Borrower")

OF THE THIRD PART

WHEREAS:

- A. The Senior Creditor and the Debtor have entered into a loan agreement dated the ___ day of _____, _____ (the "Loan Agreement");
- B. The Debtor is indebted to the Postponing Creditor in the principal amount of \$_____ as evidenced by a promissory note in such principal amount (the "Subordinated Debt"); and
- C. The Postponing Creditor has agreed to subordinate and postpone the Subordinated Debt to all indebtedness from time to time outstanding under the Loan Agreement upon and subject to the terms and conditions contained in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. In this Agreement, "Event of Default" shall have the meaning attributed to such term in the Loan Agreement and the words "cash, property or securities" shall be deemed not to include any shares in the capital of the Debtor now or hereafter issued and outstanding, or any securities of the Debtor or any successor corporation, the payment of which securities is subordinated, at least to the extent provided for in this Agreement with respect to the Subordinated Debt, to the payment of all Senior Indebtedness which may at the time be outstanding, provided that the Senior Indebtedness is assumed by any successor corporation to the Debtor.
2. The payment of the Subordinated Debt, including all interest due and owing thereon, is hereby expressly subordinated, to the extent and in the manner hereinafter set forth in respect of payment thereof, to the prior payment in full of all amounts from time to time owing to the Senior Creditor under the Loan Agreement (which amounts are hereinafter collectively referred to as the "Senior Indebtedness").

3. Upon any distribution of assets of the Debtor or upon any dissolution, winding-up, liquidation, reorganization, bankruptcy, insolvency or receivership of the Debtor or upon any marshalling of assets of the Debtor:

- (a) the Senior Creditor shall first be entitled to receive payment in full of all Senior Indebtedness, including all interest due and owing thereon, before the Postponing Creditor is entitled to receive any payment upon the principal amount of and interest on the Subordinated Debt;
- (b) any payment or distribution of assets of the Debtor of any kind or character, whether in cash, property or securities, to which the Postponing Creditor would be entitled except for the provisions hereof, shall be paid by the liquidating trustee or agent or other person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, directly to the Senior Creditor in respect of the Senior Indebtedness to the extent necessary to pay in full any outstanding principal balance of the Senior Indebtedness together with interest due and owing thereon and remaining unpaid after giving effect to any concurrent payment or distribution to the Senior Creditor in respect of such Senior Indebtedness; and
- (c) notwithstanding the foregoing, in the event that any payment or distribution of assets of the Debtor, whether in cash, property or securities, shall be received by the Postponing Creditor before all Senior Indebtedness is paid in full, such payment or distribution shall be held in trust for the benefit of and shall be paid over to the Senior Creditor for application to the payment of the Senior Indebtedness together with interest thereon.

THIS IS A 5-PAGE DOCUMENT.