

SUBORDINATION AGREEMENT

(Applicable to More Than One Government Contract)

_____, a corporation *organized under the laws of _____,
(insert Debtor's Name)

having its principal place of business at _____ in city and state of _____,

a partnership *doing business as _____ at _____

city and state _____ an individual *having its principal place of business at _____

_____ city and state of _____, hereinafter called

the Debtor, is under consideration by the United States of America (_____) herein-
(insert Department)

after called the Government, for the award of a certain contract. The Government is willing to award such contract to the Debtor

only upon condition that _____
(insert Creditor's Name, Description, Address, etc.)

_____ hereinafter referred to as the Creditor, will agree to subordinate any
and all present and future rights with respect to payments due or to become due from the Debtor to the undersigned Creditor to
the rights of the Government under or arising out of the contract. As of the date of execution of this agreement recited at the end

thereof \$ _____ is owing or is due and owing from the Debtor to the Creditor.
(insert Dollar Amount)

In consideration of the award of the contract to the Debtor the undersigned agrees as follows:

1. Payments and Debts. Any and all present and future rights of the undersigned Creditor with respect to payments due or to become due by reason of the above cited indebtedness and including any additional future indebtedness incurred as advances by the Creditor for working capital purposes and/or acquisition of capital assets owed by the Debtor to the Creditor, are fully subordinated to the rights of the Government under or arising out of the contract. The undersigned Creditor will make no demand for payment from the Debtor and will forbear to sue on said indebtedness, or to attempt to collect the same by legal process until the contract is fully performed. (Purchases or raw materials, fabricated subassemblies, component parts and/or sub-contractor services supplied by the Creditor to the Debtor under usual trade terms in the normal course of the Creditor's business will not be construed as being advances for working capital purposes.)

2. Property of the Debtor. Any and all present and future rights of the undersigned Creditor against the Debtor or any property of the Debtor are fully subordinated to the prior performance of the contract and the liquidation of all obligations of the Debtor under or arising out of the contract.

3. Collateral. So long as the rights of the Government under or arising out of the contract remain unsatisfied, any and all sums obtained by the Creditor from the Debtor or from any property of the Debtor received by the Creditor whether or not incident to any assignment, mortgage, pledge or other hypothecation of property of the Debtor shall be held for the use and benefit of the Government, and no such sums or property shall belong to or be retained by the Creditor.

*Strike Out Inapplicable Language

4. Assignment of Contract. If any person, firm, corporation or entity other than the Debtor becomes obligated to perform the contract or any part thereof, whether by operation by law or otherwise, any and all present and future rights of the Creditor shall remain fully subordinated to the rights of the Government.

5. Default. In the event of failure, insolvency, default, bankruptcy, arrangement, appointment of receiver for the Debtor or other liquidation of the Debtor, any claim due from the Debtor its successors and assigns, to the undersigned Creditor shall be subordinated to any claim of the Government against the Debtor under or arising out of the contract; and in such event the undersigned Creditor hereby assigns to the Government (and this agreement shall constitute the assignment to it) all claims of any kind or sort the Creditor may now or hereafter have against the Debtor and all dividends and other distributions which the Creditor may receive or to which it may be entitled by reason of any claim filed, claimed or asserted against the Debtor. The undersigned Creditor consents to and waives notice of all extensions or renewals of said indebtedness, release of security and any arrangements that may be made in the event control of the business of the Debtor is assumed by a court or by creditors. The undersigned Creditor irrevocably authorizes and empowers the Government to demand, sue for, collect and receive every such dividend or distribution and give acquittance and to file claims and take such other proceedings in the Government's own name or in the name of the undersigned Creditor or otherwise, as the Government may deem necessary or advisable for the enforcement of this agreement and the undersigned Creditor agrees to execute and deliver to the Government in order to enable the Government to demand, sue for, collect and receive every such dividend or distribution and give acquittance and to file claims and take such other proceedings in the Government's own name or in the name of the undersigned Creditor or otherwise, as the Government may deem necessary or advisable for the enforcement of this agreement and the undersigned Creditor agrees to execute and deliver to the Government such powers of attorney, assignments or other instruments as may be requested by the Government in order to enable the Government to enforce any and all claims upon or with respect to any or all indebtedness of the Debtor to the undersigned Creditor, and to collect and receive any and all dividends or distributions which may be payable or deliverable at any time upon or with respect to any such indebtedness of the Debtor to the undersigned Creditor.

6. Modification. This Subordination Agreement shall not be affected by any action extending the time of performance of the contract or by the making of any amendment or modification authorized by the terms of the contract.

7. Certification. The Creditor hereby certifies that he has not given or executed any prior Subordination Agreement with respect to its claims against the Debtor except as follows: _____

(insert to Whom, or if None, so state)

8. Records. The Creditor hereby agrees to direct the Debtor (a) to mark its records in accordance with this Subordination Agreement and (b) to conform receipt of notice by signing in the place indicated below. The Creditor also agrees to permit audits by the Government and to furnish reports to the Government at its request, to aid it in determining the Creditor's conformity with this agreement.

9. Enforcement. This Agreement shall inure to the benefit of and may be enforced by the United States. It is recognized and agreed by the Creditor that any breach or failure to perform or comply with the terms of this Agreement will be considered as a performance default in the contract awarded the Debtor and the Government may proceed as provided for in these cases in such contract. In the event that the Government terminates the contract with the Debtor for such default and awards the uncompleted portion of such contract to another source at a fair and reasonable price, the Creditor shall be liable for all costs and expenses incurred by the Government in enforcing this provision. The rights and remedies of the Government provided herein shall not be exclusive and are in addition to the other rights and remedies provided by law.

10. Construction. Nothing in this Agreement shall be construed to obligate the Government to award any contract to the Debtor.

11. Coverage. Except as otherwise provided herein this agreement refers to and shall be effective with respect to any and all contracts for supplies or services entered into after the date of this agreement between the Government and the Debtor. Unless otherwise indicated by the context the singular of the word "contract" as used in this agreement shall mean the plural term "contracts" whenever this agreement shall become effective with respect to more than one contract between the Government and the Debtor.

12 Termination, Waiver, and Expiration.

a. The creditor may by written notice designating a date not earlier than the date of such written notice, terminate the effect of this agreement with respect to all contracts between the Government and the Debtor entered into after the date designated by such written notice. Such written notice shall be given by registered letter, return receipt requested, to the Contracting Officer, at the address set forth below.

b. When the Contracting Officer determines that substantial financial improvement of the Debtor has been effected to such extent that retention of subordination agreement is no longer necessary to insure complete contractual performance, he may, by written notice addressed to the Creditor at the Creditor's address shown herein, waive the effect of this agreement with respect to all existing and future contracts between the Government and the Debtor.

c. In the event that all of the contracts covered by this subordination agreement have been satisfactorily completed by the Debtor, the Creditor may request the Contracting Officer to issue a written notice which states that this subordination agreement is considered to have expired.

Executed the _____ day of _____ 19 _____

Two Witnesses

(Creditor)

BY _____

(Title)

(Business Address)

I, _____, certify that I am the _____

Secretary of the Corporation named as Creditor herein; that _____ who signed

this agreement on behalf of the Creditor, was then _____ of said Corporation; that said Agreement was duly signed for and in behalf of said Corporation by authority of its governing body, and is within the scope of its corporate powers.

Corporate
Seal

Receipt of a copy of the above agreement is acknowledged. The Debtor agrees to comply with all terms and provisions of this agreement affecting it and to withhold payment or distribution to the subordinating Creditor and to the Debtor's stockholders, officers, and directors in conformity with this agreement. It is further agreed that its failure to carry out any of the terms of this agreement constitutes a default in performance of the contract awarded it and the Government may proceed in accordance with the terms of said contract making provisions for default.

BY _____

(Title)

Receipt of a copy of the above Subordination Agreement is acknowledged.

THE UNITED STATES OF AMERICA

BY _____

(Contracting Officer)

ADDRESS: _____
