SUBORDINATION AGREEMENT

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This Subordination Agreement (the “Agreement”) is effective [DATE],

**BETWEEN: [FIRST PARTY NAME]** (the "Creditor"), a company organised and existing under the laws of the [STATE/PROVINCE] of [COUNTRY], with its head office located at:

 [YOUR COMPLETE ADDRESS]

**AND: [SECOND PARTY NAME]** (the "Debtor"), a company organised and existing under the laws of the [STATE/PROVINCE] of [COUNTRY], with its head office located at:

 [COMPLETE ADDRESS]

**AND: [THIRD PARTY NAME]** (the "Guarantor"), a company organised and existing under the laws of the [STATE/PROVINCE] of [COUNTRY], with its head office located at:

 [COMPLETE ADDRESS]

WITNESSETH :

WHEREAS the Bank and the Debtor have entered into an agreement dated [DATE] (as the same has been or may be amended from time to time, the “Loan Agreement”), pursuant to the terms of which the Bank has agreed to make advances to the Debtor including, without limitation, the creation of acceptances and the issue of letters of credit and letters of guarantee, from time to time;

AND WHEREAS the obligations and liabilities of the Debtor under the Loan Agreement have been guaranteed by the Guarantor pursuant to its guarantee (the “Guarantee”) in favour of the Bank dated [DATE];

AND WHEREAS as security for the payment of its present and future indebtedness and liabilities to the Bank under the Loan Agreement, the Debtor has created, and may in future create, security on its assets in favour or for the benefit of the Bank (all such security, present and future, and all documents evidencing the same from time to time being hereinafter collectively referred to as the “Bank Security”) including, without limitation:

1. the demand debenture (the “Debenture”) of the Debtor in the principal amount of [COUNTRY] [AMOUNT] dated [DATE];
2. the debenture pledge agreement of the Debtor dated [DATE] relating to the Debenture;
3. the security agreement made by the Debtor in favour of the Bank dated [DATE];
4. the share pledge agreement executed by the Debtor in favour of the Bank on [NUMBER] pursuant to which the Debtor has pledged and hypothecated to the Bank [NUMBER] shares in the capital of the Guarantor;
5. the general assignment of book debts governed by the [YOUR COUNTRY LAW] of the Province of [NUMBER] made by the Debtor in favour of the Bank dated [DATE];
6. the trust deed executed by the Debtor and [SPECIFY] Trust Company in favour of the Bank dated [DATE];
7. the general assignment of debts governed by the [YOUR COUNTRY LAW] of the Province of [STATE/PROVINCE] made by the Debtor in favour of the Bank dated [DATE];
8. security granted by the Debtor to the Bank pursuant to Section [NUMBER] of the Bank [ACT/LAW/RULE] ([COUNTRY]) consisting of:
	1. the notice of intention to give security under section [NUMBER] of the Bank [ACT/LAW/RULE] ([COUNTRY]) made on [NUMBER] by the Debtor;
	2. the agreement for security under section [NUMBER] of the Bank [ACT/LAW/RULE] ([COUNTRY]) made by the Debtor on [NUMBER];
	3. the agreement as to loans and advances made by the Debtor on [NUMBER];
9. the Charge/Mortgage of Land made by the Debtor in favour of the Bank dated [DATE] in the form prescribed by the Land Registration Reform Act, [YEAR] ([STATE/PROVINCE]);
10. the trademark security agreement ([COUNTRY] Trademarks) made by the Debtor as of [NUMBER]; and
11. the patent security agreement ([COUNTRY] patents) made by the Debtor as of [NUMBER];

AND WHEREAS as security for the payment and performance of its obligations and liabilities to the Bank under the Guarantee, the Guarantor has created and may in future create, security on its assets in favour or for the benefit of the Bank (all such security, present or future, and all documents evidencing the same from time to time being hereinafter referred to as the “Bank Security”) including, without limitation:

* + - 1. the demand debenture (the “Guarantor Debenture”) of the Guarantor in the principal amount of [COUNTRY] [AMOUNT] dated [DATE];
			2. the debenture pledge agreement of the Guarantor dated [DATE] relating to the Guarantor Debenture;
			3. the general assignment of book debts governed by the [YOUR COUNTRY LAW] of the Province of [NUMBER] made by the Guarantor in favour of the Bank dated [DATE]; and
			4. the patent security agreement ([COUNTRY] patents) made by the Guarantor as of [NUMBER];

AND WHEREAS the Creditor and the Debtor have entered into a buying agency agreement (the “Buying Agency Agreement”) dated [DATE] pursuant to which [SPECIFY] (the “Parent”) has appointed the Creditor as the Parent’s exclusive buying agent in the countries identified on Exhibit [SPECIFY] to the Buying Agency Agreement;

AND WHEREAS the Creditor has agreed to act as the buying agent of the Debtor and the Guarantor on the terms set out in the Buying Agency Agreement;

AND WHEREAS, as security for payment or performance of their liabilities and obligations to the Creditor, whether under the Buying Agency Agreement or otherwise, the Debtor and the Guarantor have entered into the following security documents by which security has been granted by them to the Creditor (herein, as the same may be amended from time to time, collectively called the “Creditor Security Documents”);

* + - 1. the debenture of the Guarantor in the principal amount of [COUNTRY] [AMOUNT] dated [DATE];
			2. the debenture of the Debtor in the principal amount of [COUNTRY] [AMOUNT] dated [DATE];
			3. the general assignment of accounts receivable of the Guarantor dated [DATE];
			4. the general assignment of accounts receivable of the Debtor dated [DATE];
			5. the general security agreement of the Debtor dated [DATE];
			6. the trust deed of the Debtor and [NUMBER] Trust Company dated [DATE]; and
			7. the commercial pledge of the Debtor dated [DATE].

AND WHEREAS under the terms of the Loan Agreement, the Debtor and the Guarantor are prohibited from granting Security Interests (as hereinafter defined) to the Creditor on their undertaking, properties and assets;

AND WHEREAS the Creditor, the Debtor and the Guarantor have requested that the Bank consent to the grant of the Security Interests;

AND WHEREAS in order to induce the Bank to consent to the grant of the Security Interests, the Creditor is willing, upon the conditions hereunder set forth, to subordinate repayment to it of the Subordinated Debt (as hereinafter defined) to repayment in full of the Senior Debt (as hereinafter defined) and to subordinate the Security Interests to the Bank Security (as hereinafter defined);

NOW, THEREFORE, in consideration of the sum of [AMOUNT] in lawful money of [COUNTRY] and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties hereto hereby agree as follows:

* + - * 1. **DEFINITIONS**

As used in this Agreement, the following terms will have the following meanings:

“Bank Security” means the Bank Security.

“Borrowers” means the Debtor and the Guarantor.

“Security Interests” means the Debtor Security Interests and the Guarantor Security Interests.

“Senior Debt” means all obligations, liabilities and indebtedness of the Debtor and the Guarantor to the Bank arising in connection with the Loan Agreement, whether such obligations, liabilities or indebtedness are now existing or hereafter arising, secured or unsecured, absolute or contingent, and whether for principal, interest (including advances made and interest accruing after a bankruptcy petition is filed by or against the Debtor or the Guarantor, whether or not allowed), fees, costs, expenses, as collateral security or otherwise and including, without limitation, reimbursement obligations of the Debtor *in re*spect of any bankers’ acceptances, letters of credit and letters of guarantees issued under the Loan Agreement.

“Subordinated Debt” means all obligations, liabilities and indebtedness of the Debtor or the Guarantor to the Creditor, whether arising in connection with the Buying Agency Agreement, the Security Interests or otherwise, whether such obligations, liabilities and indebtedness are now existing or hereafter arising, created directly between the Debtor or the Guarantor and the Creditor or acquired by assignment, secured or unsecured, absolute or contingent, and whether for principal, interest (including advances made and interest accruing after a bankruptcy petition is filed by or against the Debtor or the Guarantor whether or not allowed) fees, costs or expenses, as collateral security or otherwise and including, without limitation, any obligations, liabilities and indebtedness of the Debtor or the Guarantor to the Creditor arising from or in connection with any bills of exchange drawn by the Creditor and endorsed by the Debtor or the Guarantor.

“Guarantor Security Interests” means any and all present and future mortgages, liens, charges, pledges, encumbrances and security interests of whatsoever nature or kind granted by the Guarantor in favour or for the benefit of the Creditor on the undertaking, property and assets of the Guarantor.

“Debtor Security Interests” means any and all present and future mortgages, liens, charges, pledges, encumbrances and security interests of whatsoever nature or kind granted by the Debtor in favour or for the benefit of the Creditor on the undertaking, property and assets of the Debtor.

* + - * 1. **AGREEMENT TO POSTPONE AND SUBORDINATE**

The Creditor covenants and agrees that:

1. to the extent and in the manner hereinafter set forth, the Subordinated Debt is hereby expressly made subordinate and subject in right of payment to the prior payment in full, in cash or cash equivalents, of the Senior Debt; and
2. the Security Interests will, for all purposes be, and at all times remain, inferior, junior and subordinate to the Bank Security.

Without limiting the generality of Section 2(1), the postponement and subordination of the Subordinated Debt and the Security Interests provided for therein will apply in all events and circumstances regardless of:

* 1. the date of execution, attachment, registration or perfection of any Security Interests held by the Creditor or the Bank Security;
	2. the date of any advance made by the Bank under the Agreement or the date of any advance made or credit made available by the Creditor to the Borrowers or the date of any obligation or liability to the Creditor assumed by the Borrowers;
	3. the date of default by the Borrowers under any agreement or instrument creating or *in re*spect of the Subordinated Debt or the Senior Debt or the dates of crystallisation of any floating charges held by the Creditor or any floating charges forming part of the Bank Security; or
	4. any priority granted by any principle of law or any statute, including, without limitation, the [YOUR COUNTRY] Personal Property Security [ACT/LAW/RULE] ([STATE/PROVINCE]) and the [YOUR COUNTRY] company Securities Registration [ACT/LAW/RULE] ([STATE/PROVINCE]).
		+ - 1. **BANKRUPTCY, ETC.**

The Creditor covenants and agrees that upon any payment or distribution (whether cash, securities or other property, by set-off or otherwise) to creditors of the Borrowers or either of them in a bankruptcy, reorganisation, insolvency, receivership or similar proceeding relating to the Borrowers or their property, in the event of any assignment for the benefit of creditors of the Borrowers or either of them, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or upon any dissolution or winding up or total or partial liquidation or reorganisation of the Borrowers or either of them, whether voluntary or involuntary:

* + 1. the Senior Debt will first be paid in full, in cash or cash equivalents on the Senior Debt, before the Creditor will be entitled to receive any payment with respect to the Subordinated Debt; and
		2. until the Senior Debt is paid in full, in cash or cash equivalents, any distribution to which the Creditor would be entitled but for this Agreement will be made, and the Creditor will give all notices and provide all instructions, directions or consents necessary to ensure that all such distributions are made, by the Borrowers or by any receiver, trustee, agent or other person making such payment or distribution directly to the Bank (or its representative or trustee under the indenture or other agreement, if any, pursuant to which Senior Debt may have been issued or secured) as its interests may appear.
			- 1. **DEFAULT ON SENIOR DEBT**

Upon the maturity of any Senior Debt, by acceleration or otherwise, the Senior Debt will first be paid in full, in cash or cash equivalents, or such payment duly provided for in cash or in a manner satisfactory to the Bank, before any payment is made by the Debtor or the Guarantor or any person acting on their behalf with respect to the Subordinated Debt.

In the event that:

* + 1. any payment with respect to any Senior Debt is not made when due (whether at maturity, by acceleration or otherwise) (a “Senior Payment Default”); or
		2. any Event of Default (as defined in the Loan Agreement) with respect to any Senior Debt will have occurred and be continuing permitting the Bank to declare such Senior Debt due and payable prior to the date on which it would otherwise have become due and payable; then no payment will be made by the Borrowers or either of them on account of the Subordinated Obligations:
			1. in case of a Senior Payment Default described in clause (a), unless and until the Senior Debt will have been paid in full or provision will have been made for such payment or until the Bank has waived in writing the benefits of this Section *in re*spect of such Senior Payment Default; or
			2. in case of any Event of Default specified in clause (b), from the earlier of the dates on which the Borrowers or the Creditor receive written notice of such Event of Default from the Bank until the date,
			3. if any, on which the Senior Debt will have been paid in full or provision will have been made for such payment or such Event of Default is waived in writing by the Bank or otherwise cured.
				1. **WHEN DISTRIBUTION MUST BE PAID OVER**

The Creditor covenants and agrees that if, notwithstanding the provisions of this Agreement prohibiting such payment or distribution or entitling (as between the Bank and the Creditor) the Bank to receive such payment or distribution, the Creditor receives any payment or any distribution with respect to the Subordinated Debt at a time when such payment or distribution is or was prohibited by this Agreement or when (as between the Bank and the Creditor) the Bank was entitled to receive such payment or distribution, such payment or distribution will be received and held in trust for the Bank and will be paid forthwith over and delivered to the Bank (as its interest may appear) or its representative or the trustee under the indenture or other agreement, if any, pursuant to which Senior Debt may have been issued or secured, as its interest may appear, for application to the payment of all obligations with respect to Senior Debt remaining unpaid to the extent necessary to pay such obligations in full, in cash or cash equivalents, in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the Bank.

* + - * 1. **PAYMENT PERMITTED IF NO DEFAULT**

Nothing contained in this Agreement will prevent the Borrowers at any time except during the pendency of any bankruptcy, reorganisation, insolvency, receivership, assignment for the benefit of creditors, dissolution, winding up, liquidation or other proceedings referred to in Section 3 or under the conditions described in Section 4, from making payments at any time from time to time of such part of the Subordinated Debt as are accounts payable of the Borrowers incurred in the ordinary course of their business or as are payments of obligations, liabilities and indebtedness of the Borrowers arising from or in connection with any of the Subordinated Debt including, without limitation, bills of exchange drawn by the Creditor and endorsed by the Borrowers or either of them.

* + - * 1. **SUBROGATION**

After the Senior Debt is paid in full, in cash or cash equivalents, and until the Subordinated Debt is paid in full, the Creditor will be subrogated to the rights of the Bank to receive distributions applicable to the Senior Debt to the extent that distributions otherwise payable to the Creditor have been applied to the payment of the Senior Debt. A distribution made under this Agreement to the Bank which otherwise would have been made to the Creditor is not, as between the Borrower and the Creditor, a payment by the Borrower on the Subordinated Debt.

* + - * 1. **NO REALISATION**

The Creditor agrees that the Creditor will not take or authorise to be taken any action by way of suit, foreclosure or otherwise in order to realise on any of the collateral security provided by the Security Interests until such time as the Bank will have notified the Creditor in writing that the Senior Debt will have been paid in full and all commitments of the Bank under the Loan Agreement have been finally terminated. Upon receipt of such notice from the Bank (which the Bank agrees to give promptly after the payment in full of all of the Senior Debt), nothing herein contained will restrict the rights of the Creditor pursuant to any agreements, indentures or instruments constituting, creating or providing for the Subordinated Debt or the Security Interests. If at the time the Bank Security is discharged and the Senior Debt has been paid in full and all of the commitments of the Bank under the Loan Agreement have been finally terminated, any cash or other collateral obtained pursuant to the terms of any of the Bank Security remains in the hands of the Bank or any trustees or agents therefore which cash or other collateral is subject to the Security Interests, the Bank will cause such cash and other collateral to be delivered to the Creditor or agents or trustees, therefore, unless a court of competent jurisdiction will have directed otherwise.

* + - * 1. **LIMITATIONS**

The Creditor will not:

* 1. assert in any action, suit or proceeding of any nature whatsoever that the Borrowers received less than fair and adequate consideration from the Bank or otherwise for executing and delivering the Bank Security and subjecting their undertaking, property and assets to the mortgages, liens, charges, pledges, encumbrances and security interests of the Bank Security; or
	2. make any other assertion, argument or claim in any action, suit or proceeding of any nature whatsoever in any action, suit or proceeding of any nature whatsoever in any way challenging the validity or effectiveness of any of the Bank Security.
		+ - 1. **BENEFIT OF AGREEMENT**

The provisions of this Agreement are for the benefit of, and will be enforceable directly by, the Bank. The provisions of this Agreement will continue to be effective, or to be reinstated as the case may be, if at any time any payment of all or any part of the Senior Debt is rescinded or must otherwise be returned by the Bank upon bankruptcy, reorganisation, insolvency or receivership of the Borrowers or otherwise, all as if such payment had not been made.

* + - * 1. **RELATIVE RIGHTS**

This Agreement defines the relative rights of the Creditor and the Bank. Nothing in this Agreement will:

* 1. impair, as between the Borrowers and the Creditor, the obligations of the Borrowers to satisfy all obligations, liabilities and indebtedness constituting or forming part of the Subordinated Debt in accordance with its terms;
	2. affect the relative rights of the Creditor and creditors of the Borrowers other than the Bank; or
	3. prevent, except as provided in this Agreement, the Creditor from exercising its available remedies upon the occurrence of any event of default respecting the Subordinated Debt.
		+ - 1. **BORROWERS’ ACKNOWLEDGEMENT**

Each of the Borrowers hereby acknowledges the provisions of this Agreement, consents to all of such provisions and agrees to be bound by such provisions and by any and all actions were taken by the Bank or the Creditor in furtherance and in accordance therewith.

* + - * 1. **BANK’S ACKNOWLEDGEMENT**

The Bank acknowledges the granting of the Security Interests to secure repayment of the Subordinated Debt and waives all restrictions in the Loan Agreement or in the Bank Security which would prohibit either Borrower from entering into or assuming the Subordinated Debt and granting the Security Interests.

* + - * 1. **FURTHER ASSURANCES**

The Creditor and the Borrowers will execute and deliver all documents and instruments, give such notices, perform such acts, do all such things and provide all such reasonable assurances as may be reasonably necessary or desirable to give effect to the postponement and subordinations provided in this Agreement and to carry out the provisions of this Agreement.

* + - * 1. **COPIES OF AGREEMENTS**

The Creditor acknowledges having received copies of the Loan Agreement, the Guarantee and the agreements and instruments forming part of the Bank Security that are identified in third and fourth recitals to this Agreement.

* + - * 1. **SINGULAR, PLURAL, ETC.**

Wherever in this Agreement the context so requires, the singular number will include the plural number and *vice versa* and any gender herein used will be deemed to include the feminine, masculine or neuter gender and person will mean an individual, partnership, company (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity or a government or any agency, department or instrumentality thereof and *vice versa*.

* + - * 1. **SEVERABILITY**

Any provision of this Agreement, which is prohibited or unenforceable in any jurisdiction, will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

* + - * 1. **NOTICE**

Any notice provided for hereunder will be in writing personally delivered to an officer or other responsible employee of the addressee, or sent by telecopy or similar means of electronic communication, charged or prepaid, to the applicable address set forth on Appendix

 [SPECIFY] hereto, or to such other address as a party hereto may from time to time designate to the other [COMPANY NAME] in such manner.

Any notice personally delivered or sent by telecopy or other means of electronic communication will be deemed to have been validly and effectively given on the date of delivery if the same is a business day in [COUNTRY] or, if not, on the next following business day in [COUNTRY].

* + - * 1. **ATTORNMENT**

Each of the [COMPANY NAME] irrevocably agrees that any legal action or proceeding against it under, arising out of or in any matter relating to this Agreement and the postponements and subordinations provided for herein may be brought in any court in the [STATE/PROVINCE] of [STATE/PROVINCE] and the [COMPANY NAME] hereby attorn to the jurisdiction of the courts of the [STATE/PROVINCE] of [STATE/PROVINCE].

* + - * 1. **AGENT FOR SERVICE**

The Creditor hereby irrevocably appoints [NUMBER] at its offices at [NUMBER] as its attorney for the due service of process in the [STATE/PROVINCE] of [STATE/PROVINCE] for or in connection with any legal action or proceeding against it under, arising out of or in any matter relating to this Agreement.

* + - * 1. **GOVERNING LAW**

This Agreement will be governed by and construed in accordance with the [YOUR COUNTRY LAW] of the [STATE/PROVINCE] of [STATE/PROVINCE] and the [YOUR COUNTRY LAW] of [COUNTRY] applicable therein.

* + - * 1. **SUCCESSORS AND ASSIGNS**

This Agreement will be binding upon and inure to the benefit of the [COMPANY NAME] hereto and their respective successors and permitted assigns.

* + - * 1. **COUNTERPARTS**

This Agreement may be executed in counterparts, each of which will be deemed to be an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each party to this agreement has caused it to be executed at [PLACE OF EXECUTION] on the date indicated above.

# CREDITOR DEBTOR

Authorised Signature Authorised Signature

Print Name and Title Print Name and Title

# GUARANTOR

Authorised Signature

Print Name and Title