

## SUBORDINATION OF SHAREHOLDER CLAIMS

**Date:** [Insert Date]

**To:** [Insert Name of Senior Lender/Financial Institution]  
[Insert Address]

**Re: Subordination of Shareholder Indebtedness**

To Whom It May Concern,

In consideration of the financial accommodations granted or to be granted by [Insert Name of Lender] (the "Senior Lender") to [Insert Name of Company] (the "Borrower"), the undersigned shareholder (the "Shareholder") hereby agrees as follows:

- 1. Subordination:** All present and future indebtedness, liabilities, and obligations of the Borrower to the Shareholder (the "Shareholder Claims") are hereby expressly deferred and subordinated in right of payment to the prior payment in full of all obligations of the Borrower to the Senior Lender.
- 2. Restriction on Payments:** Until all obligations to the Senior Lender have been indefeasibly paid in full, the Shareholder shall not demand, accept, or receive any payment (whether principal, interest, or otherwise) from the Borrower in respect of the Shareholder Claims, nor shall the Shareholder take any action to enforce any security interest or collect any part of the Shareholder Claims.
- 3. Turnover of Payments:** If any payment is received by the Shareholder from the Borrower in violation of this agreement, such payment shall be held in trust for the benefit of the Senior Lender and shall be immediately paid over to the Senior Lender to be applied against the Senior Lender's claims.
- 4. Binding Effect:** This subordination provision shall be binding upon the Shareholder and their respective heirs, successors, and assigns, and shall inure to the benefit of the Senior Lender and its successors and assigns.
- 5. Governing Law:** This letter shall be governed by and construed in accordance with the laws of [Insert Jurisdiction].

Sincerely,

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[Insert Name of Shareholder]  
[Insert Title, if applicable]

**Acknowledged and Agreed by Borrower:**

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[Insert Name of Authorized Officer]  
For and on behalf of [Insert Name of Company]