

Security, Pledge and Escrow Agreement

(Stock Purchase)

AGREEMENT made _____, 20__, among _____ (“Purchaser”), _____ (the “Company”), _____ (“Seller”), and _____ (“Escrow Agent”).

WHEREAS, the Purchaser agreed to purchase all of the shares of stock in the Company owned by the Seller (“Stock”) under the terms of a Stock Purchase Agreement, dated the date hereof; and

WHEREAS, a portion of the purchase price for the Stock is payable under the terms of a promissory note (“Promissory Note”); and

WHEREAS, the parties desire to pledge, hypothecate and create a security interest in all of the Stock under the terms of this Agreement;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged and in further consideration of the recitals and of the representations, warranties, covenants and agreements contained, and intending to be legally bound, the parties agree as follows:

1. As security for the payment of the Promissory Note, Purchaser hereby hypothecates, assigns, pledges, and grants to Seller a security interest in the Stock and deposits them with the Escrow Agent, endorsed in blank for transfer, subject to the terms of this Agreement. The parties acknowledge that the Stock has been pledged and delivered to the Escrow Agent.

2. If there is a default under the Promissory Note, Seller shall have the rights and remedies provided under the Uniform Commercial Code in force in the State of New York. In addition to and in conjunction with those rights and remedies, Seller may give notice of the default to the Escrow Agent. Within the next seven (7) days, the Escrow Agent shall notify the Company and Purchaser that the Escrow Agent has received a notice of default from the Seller and include in that notice a copy of the notice received from the Seller. Subject to the other provisions of this Agreement, including but not limited to paragraph “12”, twenty-five (25) days from the date the Escrow Agent gives this notice, the Escrow Agent shall offer for sale all of the Stock deposited with the Escrow Agent, unless the parties agree otherwise. The Company agrees to waive and hereby waives any right or option it may possess to purchase or redeem the Stock and the Stock shall be sold free of any such right or option.

3. Seller may purchase the Stock at the sale.

4. The proceeds of the sale shall be applied first to pay the expenses of conducting the sale, including reasonable attorneys fees incurred in connection with the sale, and then to pay any sums due under the Promissory Note. Any surplus remaining shall be paid to Purchaser.

5. Upon payment in full of the Promissory Note, the Purchaser shall notify the Escrow Agent, requesting the return of the Stock. Within the next seven (7) days, the Escrow Agent shall