

Oregon Department of Consumer & Business Services

Division of Financial Regulation

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STOCK ESCROW AGREEMENT

This agreement, made and entered into this _____ day of _____, 20____ by and between _____, hereinafter referred to as “the company” and _____, as individuals and as organizers of the company, hereinafter referred to as “the promoters” and _____, hereinafter referred to as “the escrow agent.”

The company has applied to the director of the Department of Consumer and Business Services of the State of Oregon, hereinafter referred to as “the director,” for registration of the following securities for sale to the public under the Oregon Securities Law: _____

upon such terms, conditions, limitations, and restrictions as the director may deem appropriate to make the issue fair, just, and equitable.

Promoters have been issued shares of promotional stock in the amounts listed below for a consideration substantially different from the public offering price or for a consideration other than cash. Promotional stock is to be deposited in escrow pursuant to ORS 59.085(3)(a), upon the terms approved by the director as set forth in this agreement.

Name and address	Total shares issued	Shares escrowed	Shares free of escrow	Consideration for all shares



The parties agree to the following:

1. Authority to amend:

This agreement shall not be terminated, revoked, rescinded, altered, or modified in any respect without the prior written consent of the director, the parties hereto, and the holders of the public shares after action taken under the following conditions. "Public shares" means those shares issued and outstanding, but excluding **all** shares held by the promoters, directly or indirectly, beneficially or otherwise, and regardless of whether free of this escrow or not. Such public shares must be permitted to vote as a class, and a majority of such class must have voted in favor of such action at a meeting called for that purpose.

2. Fiscal year:

The fiscal year of the company shall begin on _____ and end on _____ .

3. Shares not transferable:

So long as such escrowed shares remain subject to the terms and conditions of this agreement, they shall not be sold, pledged, hypothecated, transferred, alienated, assigned, or otherwise disposed of, in whole or in part, in any manner whatsoever, except by operation of law, without the prior written consent of the director. If any such action is consented to, the consent of the proposed transferees to execute an identical escrow agreement must be obtained.

4. Give-up shares:

Upon execution of this agreement, it is anticipated that promoters will own, in the form of escrowed promotional shares (enter a figure not to exceed $33\frac{1}{3}$ percent) _____ percent of the total shares (including the shares deposited herewith) to be issued and outstanding at the conclusion of the public offering. In the event all of the shares offered are not sold, the promoters will surrender of shares to the company as necessary to maintain the stated give-up-share percentage. The company agrees that such surrender will be accomplished in the manner set forth in ORS 60.177.

5. Voting rights:

The escrowed shares shall be considered to be issued and outstanding stock of the company and shall enjoy all voting rights accorded to all other issued and outstanding shares of the same class. However, the number of such shares so voted shall not exceed the percentage of the total issued and outstanding shares stated in Paragraph 4. If a reduction of voting rights in the escrowed shares is required as a result of this limitation, such reduction shall be made on a pro rata basis according to each promoter's relative percentage ownership. The promoters waive such voting rights in accordance with this provision.

6. Participation in dividend:

The escrowed shares shall be considered to be issued and outstanding stock of the company and shall enjoy all dividend privileges accorded to all other issued and out standing shares of the same class. However, the number of such shares so participating in such dividend shall not exceed the percentage of the total issued and outstanding shares stated in Paragraph 4. If a reduction of dividend participation in the escrowed shares is required as a result of this limitation, such reduction shall be made on a pro rata basis according to each promoter's relative percentage of ownership (see also Paragraph 7). The promoters waive such participation in dividends in accordance with this provision.

7. Dividends on dissolution or liquidation:

In the event of dissolution of the company, or the partial or complete liquidation of all or substantially all of its assets, or in the event of bankruptcy or insolvency, the escrowed shares shall not participate in any distribution dividend by virtue thereof, and the promoters do hereby waive such distribution dividend, until all other issued and outstanding shares shall have received a distribution dividend at least equal to \$ _____ per share.

Thereafter, such escrowed shares may participate on a pro rata basis with all other shares in any further distribution dividend. This paragraph shall apply equally in the event of a merger or consolidation or sale of assets. The amount per share may be adjusted in the event of a stock split or reclassification of shares.

8. Stock splits or other reclassifications:

Any shares issued the promoters pursuant to a stock split or reclassification of shares shall be deposited in escrow in such number as to maintain the percentage of escrowed promotional shares specified in Paragraph 4, and such deposited shares shall be subject to the terms and conditions of the agreement. Similarly, any and all distributions of shares or cash, other than from earned surplus and issued by reason of the ownership of the promotional shares, shall likewise be placed in escrow subject to the terms and conditions of this agreement.

9. Earnings requirement:

All escrowed shares shall be held in escrow until such time as the company has demonstrated net earnings after taxes for two successive years of at least (enter 5 percent of public offering price) \$ _____ per share per year, based on all of the issued and outstanding shares including the escrowed shares. In addition, the company's current assets shall exceed its current liabilities and its total assets shall exceed its total liabilities. However, this balance sheet requirement may be waived by the director in unusual or special circumstances.

10. Audited financial statements:

Such earnings and financial conditions shall be demonstrated by the submission to the director of audited financial statements prepared by an independent certified public accountant or licensed public accountant in conformance with generally accepted accounting principals, consistently applied. This requirement may be waived by the director in unusual or special circumstances.

11. Duration and termination; release:

The term of this agreement is seven years; it will expire (date) _____, 20 _____.

If by such expiration date the conditions for release have not been met, the escrowed shares are to be returned to the company in the manner described in Paragraph 4, and the escrow agent shall be relieved of all further obligations. This agreement will terminate automatically if the company ceases to exist and no successor becomes a party to this agreement. Except as expressly provided herein, the escrow agent shall not release any of the escrowed shares without the written consent of the director.

12. Inspection of records:

The director may, at any time, inspect the records of the company and may inspect the records of the escrow agent or promoters, insofar as they relate to this escrow agreement, for the purpose of making any determination.

13. Additional requirements:

All parties to this agreement shall take whatever action as may be required or necessary to implement this agreement, including issuing additional shares, surrendering shares, depositing additional shares in escrow, and making such reports and furnishing such information as shall be deemed advisable or necessary.

14. Lien of escrow agents:

The escrow agent has the right to retain and is hereby given a lien upon all documents and other things of value held by it until all of its compensation, fees, costs and expenses shall have been paid, which the promoter and/or company, promise and agree to pay upon demand.

15. Controversy:

If controversy arises between the parties to this agreement or with any third person, the escrow agent shall not be required to take any action but may await settlement of any such controversy by final appropriate legal proceedings or otherwise, as the escrow agent may require. The escrow agent may institute appropriate proceedings, notwithstanding anything in this agreement to the contrary. In any such event, the escrow agent shall not be liable for interest or damages to the company or the promoters.

16. Escrow agent's liability:

The escrow agent's obligations and duties in connection herewith are confined to those enumerated in this agreement. The escrow agent shall not be liable or responsible for the sufficiency, correctness, genuineness, or validity of any instruments deposited with it or with reference to the form of execution thereof, or the identity, authority, or rights of any person executing or depositing same. The escrow agent shall not be liable for any loss that may occur by reason of forgery, false representation, or the exercise of its discretion in any particular manner or for any other reason, except for its own negligence or willful misconduct.

17. Escrow agent's fee:

The fee of the escrow agent is \$ _____, receipt of which is hereby acknowledged. The escrow agent further acknowledges receipt of shares, represented by stock certificate numbers: _____

The agreed-upon fee for services rendered hereunder is intended as full compensation for the escrow agent's services. However, if the escrow agent is required to render any material service not contemplated in this agreement, or is involved in any material controversy or litigation hereunder, the escrow agent shall be reasonably compensated for such extraordinary services and reimbursed for costs and expenses occasioned by such event.

18. Binding agreement and substitution of escrow agent:

The terms and conditions of this agreement shall be binding on the heirs, executors and assigns, creditors or transferees, or successors in interest, whether by operation of law or otherwise, of the parties hereto. If for any reason the escrow agent herein should be unable or unwilling to continue as such escrow agent, then the other parties to this agreement may substitute, with the consent of the director, another person to serve as escrow agent. Any apportionment of the fees provided for in Paragraph 17 will be subject to agreement of the parties.

The following parties severally entered into this agreement:

Company: _____

President: _____ Secretary: _____

Escrow agent: _____

By: _____ Title: _____

Promoter: _____ Promoter: _____

Promoter: _____ Promoter: _____

ACCEPTED

Department of Consumer and Business Services

By: _____, securities examiner