



SAMPLE SECURITY AGREEMENT FOR A PROMISSORY NOTE

THIS SECURITY AGREEMENT ("Agreement"), is entered into on this ___ day of _____, 20__ by and between ABC Inc., a California corporation, (the "Company"), John Doe, an individual ("Partner"), and XYZ LLC, a California limited liability company (the "Seller"). In consideration of the mutual agreements contained herein, the parties hereto agree as follows:

WHEREAS, Company desires to purchase, from Seller, through a combination of funds payable at Closing and a promissory note (the "Note"), 500 shares of Seller's total 750 Shares of common stock within Company for three hundred and ninety thousand dollars (\$390,000.00); and

WHEREAS, Company, Partner and Seller have agreed to enter into this Security Agreement in order for Seller to obtain security for the Note it is providing Company, while Company is making payments on the Note to Seller; and

NOW, THEREFORE, it is agreed as follows:

SECTION 1. STOCK PURCHASE

1.1 Subject to the terms and conditions set forth in the Stock Purchase Agreement, Seller shall sell to Company 500 Shares of Seller's Common Stock. Seller shall sell these 500 shares to Company for a total purchase price of three hundred and ninety thousand dollars (\$390,000.00), payable pursuant to a Note in the amount of one hundred and ninety thousand dollars (\$190,000.00), which Company and Partner executed and delivered to Seller at the time of execution of this agreement and pursuant one hundred thousand dollars (\$100,000.00), which shall be payable in full by Company to Seller at Closing.

1.2 Upon the occurrence of and during an Event of Default on the Note (as defined herein), interest shall thereafter be calculated at a rate of ten percent (10%) ("Default Rate"). All such interest shall be due and payable in arrears, on the first day of the following month.

1.3 Notwithstanding any provision in this Agreement, the Note, or any other "Loan Document" (as defined below), it is not the parties' intent to contract for, charge or receive default interest at a rate that is greater than the maximum rate permissible by law which a court of competent jurisdiction shall deem applicable hereto (which under the laws of the State of California shall be deemed to be the laws relating to permissible rates of interest on commercial loans) (the "Maximum Rate"). If Company actually pays Seller an amount of interest, chargeable on the total aggregate principal of Company under this