

GUARANTY AND PLEDGE AGREEMENT

THIS AGREEMENT is made as of _____, 20____, between _____ ("Guarantors") and _____ ("Bank").

RECITALS:

Reference is made to the Note dated this date executed by _____ ("**Borrower**") in favor of Bank in the principal amount of _____ Dollars (\$_____) (the "**Note**"). The Note is issued pursuant to a Loan Agreement ("**Loan Agreement**") between the same parties, also dated as of this date.

The Guarantors are the sole shareholders of the Borrower and will benefit directly by the execution of the Loan Agreement and advance of funds to Borrower.

The Bank is unwilling to enter the Loan Agreement or advance funds to Borrower unless Guarantors execute this Agreement.

NOW THEREFORE, for good and valuable consideration and to induce the Bank to enter into the Loan Agreement and advance funds to Borrower, the Guarantors agree as follows:

1. DEFINITIONS.

When used in this Guaranty and Pledge Agreement (the "**Agreement**") the following terms shall have the following meanings:

1.1 "Collateral" shall mean all property and interests in property on or in which a lien or security interest is or has been granted by one or more of the Guarantors to the Bank pursuant to Section 2.2 of this Agreement; and

1.2 "Default" shall mean the happening of either of the following events: (a) the occurrence of a "**Default**" as such term is defined in the Loan Agreement, or (b) the undersigned fails to perform any covenant or agreement contained in this Agreement or if any representation or warranty contained in this Agreement is found to have been untrue, incomplete or misleading in any material respect when furnished; and

1.3 "Indebtedness" shall mean any and all indebtedness, obligations and liabilities of any kind of the Borrower to the Bank arising out of the Loan Agreement or the Note executed by the Borrower and made payable to the order of the Bank.

2. GUARANTY AND PLEDGE.

2.1 Guaranty. The Guarantors jointly and severally unconditionally guarantee the full and prompt payment when due, whether at maturity or earlier (by reason of acceleration) and at all times thereafter, of all of the Indebtedness of the Borrower to the Bank, and the undersigned further agree to pay all costs and expenses including, without limitation, all court costs and attorneys' fees and expenses paid or incurred in endeavoring to collect all or any part of the Indebtedness from, or in prosecuting any action against, the Borrower or one or more of the Guarantors.

2.2 Pledge and Security Interests. In addition, to secure the payment and performance of the Borrower's Indebtedness and the Guarantors' obligations under this Agreement, the Guarantors grant the Bank a security interest in:

(a) and pledges to the Bank one hundred percent (100%) of the authorized, issued and outstanding capital stock of the Borrower, together with stock powers endorsed in blank;

(b) the balance of every account, now or hereafter existing, of one or more of the Guarantors with the Bank, and all monies, credits and other property now or hereafter held by the Bank; and

(c) all proceeds of the property described in this Section 2.2.

3. TERMS AND CONDITIONS.

Subject to the provisions of the Loan Agreement, the bank shall have the exclusive right to determine the application of payments and credits, if any, from the undersigned, the Borrower or from any other guarantor of the Indebtedness.

The Bank is authorized, without notice or demand and without affecting the liability of either of the Guarantors, from time to time to (a) renew, extend, accelerate or otherwise change the time for payment of, or other terms relating to, the Indebtedness, or otherwise modify, amend or change the terms of the Term Note, the Loan Agreement, or any other agreement, document or instrument now or hereafter executed by the Borrower and delivered to the Bank; (b) accept partial payments on the Indebtedness; (c) take and hold security or collateral for the undersigned's obligations under this Agreement, or any other guarantees of, or support or security agreement relating to, the Indebtedness guaranteed hereby, and exchange, enforce, waive and release any such security or collateral; (d) apply such security or collateral and direct the order or manner of sale as in its sole discretion it may determine; and (e) settle, release, compromise, collect or otherwise liquidate the Indebtedness and any security or collateral in any manner, without affecting or impairing the obligations of the undersigned.

At any time after the Indebtedness becomes due or is declared due, the Bank may, at its discretion, upon notice to the Guarantors and regardless of the acceptance of any security or collateral for the payment, appropriate and apply toward the payment of the Indebtedness (i) any indebtedness due or to become due from the Bank to one or more of the Guarantors; and (ii) any monies, credits or other property belonging to any one of the Guarantors, at any time held by the Bank on deposit or otherwise.

The Bank shall not be required to take any steps to preserve any rights against prior parties (if any) to or in any of the Collateral or Indebtedness.

The Bank may, but shall not be obligated to, and the undersigned hereby designates the Bank as attorney-in-fact to contest, pay and/or discharge all liens, encumbrances, taxes or assessments on, or claims, actions or demands against any of the Collateral upon notice to, but without the consent of, the undersigned and to take all actions and proceedings in their name or in the name of the Borrower or of any other appropriate person to remove or contest such liens, encumbrances, claims, actions, demands, taxes or assessments by litigation or otherwise. The undersigned agree to pay on demand and/or authorize the Bank to charge their account with all costs, attorneys' fees, expenses, and all other sums advanced or paid by the Bank.

The right is expressly granted to the Bank, at its discretion, to file one or more financing statements, and with respect thereto to serve as the Attorney-in-Fact for each of the undersigned for the purpose of executing such financing statements under the Uniform Commercial Code, naming one or more of the Guarantors as debtor and the Bank as secured party, and describing the types or items of Collateral. The Bank may further serve as the Attorney-in-Fact for the Guarantors for the purpose of executing any additional notices, affidavits or other documents as the Bank may deem necessary to protect its security interest. The Guarantors hereby agree to pay on demand and/or authorize the Bank to charge their account with the amount of any and all filing fees and expenses which the Bank deems necessary to incur to protect its interest in the Collateral.

The Bank shall exercise reasonable care in the custody and preservation of the Collateral to the extent required by applicable statute, and shall be deemed to have exercised reasonable care if it takes such action for that purpose as the undersigned shall reasonably request in writing; but under no

circumstances shall any omission to do any act not requested by the Borrower be deemed a failure to exercise reasonable care, nor shall any omission to comply with any request of the undersigned of itself be deemed a failure to exercise reasonable care. The undersigned hereby agree to pay on demand and/or authorize the Bank to charge their account with any cost and expense, including, without limitation, attorneys' fees, incurred by the Bank in the reasonable preservation of the Collateral.

The Guarantors consent and agree that the Bank shall be under no obligation to marshal any assets against, or in payment of, any or all of the Indebtedness. The Guarantors further agree that to the extent that the Borrower makes a payment or payments to the Bank, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy act, state or federal law, common law or equitable cause, then to the extent of such payment or repayment, the obligation intended to be satisfied shall be reviewed and continued in full force and effect as if said payment had not been made, and the Guarantors shall, upon demand by the Bank, immediately satisfy such obligation in full in accordance with the terms of this Agreement. The Guarantors further agree that any and all claims of the Guarantors against the Borrower or against any other guarantor of the Indebtedness or against any of their respective properties, arising by reason of any payment by the undersigned to the Bank shall be subordinate and subject in right of payment to the prior payment, in full, of all principal and interest, all costs of collection (including attorneys' fees), and any other liabilities or obligations owing to the Bank by Borrower which may arise either with respect to or on the Note or with respect to any other instruments, documents, items or other writings now or to be delivered to the Bank.

The Guarantors assume responsibility for keeping themselves informed of the financial condition of the Borrower and any other party and of all other circumstances bearing upon the risk of non-payment of the Note. The Guarantors agree that the Bank shall have no duty to advise them of information known to the Bank regarding such condition or any such circumstances.

No delay on the part of the Bank in the exercise of any right or remedy shall operate as a waiver or constitute a discharge of either of the Guarantors' obligations under this Agreement, and no single or partial exercise by the Bank of any right or remedy shall preclude the further exercise to any extent; nor shall any modification or waiver of any of the provisions of this Agreement be binding upon the Bank except as expressly set forth in a writing duly signed and delivered on the Bank's behalf by an authorized officer. The Bank's failure at any time or times to require strict performance by the Borrower or any other party or the undersigned of any of the provisions, warranties, terms and conditions contained in the Note or Loan Agreement or any other security agreement, pledge agreement, guaranty, instrument or document now or at any time or times executed by Borrower or any other party or the undersigned and delivered to the Bank shall not discharge either of the Guarantors' obligations under this Agreement nor shall it waive, affect or diminish any right of the Bank at any time or times to demand strict performance and such right shall not be deemed to have been waived by any act or knowledge of the Bank, its agents, officers or employees, unless such waiver is contained in an instrument in writing, signed by an officer of the Bank and directed to the Borrower or any other party or the undersigned, specifying such waiver. No waiver by the Bank of any default shall operate as a waiver of either any other default or the same default on a future occasion, and no action or inaction by the Bank including, without limitation, Bank's failure to take any steps to preserve its rights in the Collateral or in any other security for the Indebtedness shall in any way affect or impair the Bank's rights or the obligations of the Guarantors under this Agreement. The Guarantors agree that their obligations under this Agreement will not be discharged except by complete performance of such obligations. Any determination by a court of competent jurisdiction of the amount of any principal and/or interest owing by the Borrower to the Bank shall be conclusive and binding on the Guarantors irrespective of whether the Guarantors were a party to the suit or action in which such determination was made.

4. REPRESENTATIONS AND WARRANTIES.

The Guarantors represent and warrant that: (a) this Agreement constitutes a valid, legal and binding obligation of each of the Guarantors, jointly and severally, enforceable against the undersigned in accordance with its terms; (b) the Guarantors are the lawful owners of all of the outstanding shares of Borrower; (c) the shares of common stock are subject to no prior security common stock interest, encumbrance, or lien whatsoever; (d) the shares may be freely transferred by the undersigned and, in the event of a Default, the shares may be sold by the Bank; (e) until the Borrower's Indebtedness to the Bank has been repaid in full, no other shares or any other stock will be issued by Borrower unless said shares are or other stock are immediately delivered to the Bank pursuant to the terms of this Agreement and the holder of such shares, if not already a party to this Agreement, assumes obligations as an additional guarantor under this Agreement.

OPTIONAL PARAGRAPH 4 BY CORPORATION

4.1 Corporate Standing. The Guarantor represents and warrants that: (i) it is a corporation duly organized and in good standing under the laws of the State of _____; (ii) it is duly qualified to do business and is in good standing in each jurisdiction in which the nature of the business transacted by it or the character of the properties owned by it makes such qualification necessary; (iii) it is not in default under any provisions of its Certificate of Incorporation; (iv) it has corporate power under applicable laws and under its Certificate of Incorporation to enter into and perform all agreements on its part; (v) it has been authorized to enter into this Agreement by all necessary and proper corporate action; (vi) the execution and delivery by it of this Agreement and the agreements herein contained do not contravene or constitute a default under any agreement, indenture, commitment, provision of its Certificate of Incorporation or by-laws or other requirement of law to which it is a party or by which it is or may be bound; and (vii) this Agreement constitutes a valid, legal and binding obligation of the Guarantor enforceable against the undersigned in accordance with its terms.

4.2 Ownership of Shares. Further, the undersigned represents and warrants: (i) the undersigned is the lawful owner of all of the outstanding shares of Borrower, a corporation duly organized and existing under the laws of the State of _____, (ii) the shares are subject to no prior security interest, encumbrance, or lien whatsoever; (iii) the shares may be freely transferred by the undersigned and, in the event of a Default, the shares may be sold by the Bank; and (v) until the Borrower's Indebtedness to the Bank has been repaid in full no other shares or any other stock will be issued by Borrower unless said shares or other stock are immediately delivered to the Bank pursuant to the terms of this Agreement.

4.3 Financial Statement. The undersigned covenants and agrees with the Bank that it will: (i) furnish to the Bank within forty-five (45) days after the end of each fiscal quarter, a statement of income and financial condition (including balance sheets, earnings and operating statements and statements of the source and application of funds) of the undersigned for the previous quarter, each certified by undersigned's chief financial officer and accompanied by a certificate of said officer stating whether he has knowledge of any Default or of the occurrence of any event which with notice or lapse of time or both would constitute such Default, and if so, stating the facts with respect thereto; (ii) furnish, within ninety (90) days after the end of each fiscal year, copies of its statement of income and financial condition (including balance sheets, earnings and operating statements and statements of the source and application of funds) for the previous years, unqualifiedly certified by a national firm or independent certified public accountants acceptable to the Bank; (iii) maintain casualty and liability insurance in such amounts and with such insurers as shall be satisfactory to the Bank; (iv) duly pay and discharge all taxes, assessments and governmental charges, claims for labor, supplies, rent or other obligations imposed upon the undersigned or against its properties prior to their becoming delinquent, except to the extent that the same shall be contested in good faith by appropriate proceedings by the undersigned; and (v) comply in all material respects with all applicable statutes and governmental regulations.

4.4 Other Indebtedness. The undersigned further covenants and agrees that it will not: (i) create, incur, assume or suffer to exist any indebtedness of the undersigned except for Indebtedness owing to the Bank or to the Borrower or for taxes, or current claims for wages or salaries; (ii) mortgage, pledge, hypothecate or encumber any of its assets except to the Bank; or (iii) acquire the business property of any other person or company, or agree to merge or consolidate with any other person or company.

4.5 Capital Changes. The undersigned further covenants and agrees that it will not permit Borrower to (i) issue or authorize the issuance of any additional capital stock; (ii) pay any dividend except to the extent of fifty percent (50%) of its net income during the immediately preceding calendar year; or (iii) lend any monies or issue any credits or make any advances of any kind to the undersigned (and the undersigned hereby covenants and agrees that it will not borrow any funds, or accept any advances from Borrower).

5. DEFAULT.

Upon any default as defined in this Agreement, the Bank may, at its sole election: (a) proceed directly and at once, without notice, against one or more of the Guarantors to collect and recover the full amount or any portion of the Indebtedness, without first proceeding against the Borrower, any collateral or any other party or any other person, firm or corporation; (b) with or without notice, transfer to or register in the name of itself or its nominee any of the shares of Borrower, and whether or not so transferred or registered, receive the income and dividends, including stock dividends and rights to subscribe, and hold the same as a part of the Collateral to secure the performance and payment of the Indebtedness, and/or apply the same as hereinafter provided; (c) exchange any of the shares of Borrower for other property upon the reorganization, recapitalization, or other readjustment; (d) vote the shares of Borrower and exercise or cause its nominee to exercise all or any powers with the same force and effect as an absolute owner. All of the above rights and powers may be exercised by the Bank without liability, except the obligation to account for property actually received.

In addition to any other rights given by law and under this Agreement, the Bank shall have the rights and remedies with respect to the Collateral of a secured party under the Illinois Uniform Commercial Code (whether or not that Code is in effect in the jurisdiction where the rights and remedies are asserted) all of which remedies shall be cumulative, and none exclusive, to the extent permitted by law. The Bank may sell or cause to be sold, in one or more sales or parcels, at such price or prices as the Bank may deem best, and for cash or on credit or for future delivery, without assumption of any credit risk, all or any of the Collateral, at public or private sale, without demand of performance but with notice to the undersigned, and the purchaser of any or all of the Collateral so sold shall then hold the same absolutely, free from any claim or right of any kind including (but not limited to) any equity of redemption of the Guarantors. Any requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the Guarantors,

c/o _____

at least ten (10) days before the time of the sale or disposition. Any other requirement of notice, demand or advertisement for sale is waived. The Bank may, in its own name, or in the name of its designee, buy at any public or, if permitted by law, any private sale, and, in lieu of the actual payment of the purchase price, the Bank may set-off the amount of such price against the Guarantors' obligations. The undersigned will pay to the Bank all expenses (including Attorney's fees) of, or incident to, the enforcement of any of the provisions.

Any right to set-off exercised by the Bank shall be deemed to have been exercised immediately on the occurrence of a default of the Borrower, or any other party, even though such set-off is made or entered on the books of the Bank at any subsequent time.

In view of the fact that federal and state securities laws may impose certain restrictions on the method by which a sale of the shares of Borrower may be effected, it is agreed that in the event of the non-payment of any of the Indebtedness when due (whether at maturity or by acceleration) the Bank may from time to time attempt to sell all or any part of the shares of Borrower by means of a private placement, restricting the bidders and prospective purchasers to those who will represent and agree that they are purchasing for investment only and not for distribution. In so doing, the Bank may solicit offers to buy the shares of Borrower, or any of it, for cash, from a limited number of investors deemed by the Bank in its reasonable judgment to be responsible parties who might be interested in purchasing such Collateral. The undersigned agrees that acceptance by the Bank of the highest offer after soliciting offers from two or more potential buyers would be commercially reasonable.

The Bank, at any time and at its option, may apply all or any net cash receipts from the sale of Collateral to the payment of principal of and/or interest (in whole or in part) on any or all of the Indebtedness, applying or reapplying, or distributing or allocating the same as it shall elect, whether or not then due, making proper rebate of interest or discount. In case of any sale by the Bank of any of the Collateral on credit or for future delivery, the property sold may be retained by the Bank until the selling price is paid by the purchaser, but the Bank shall incur no liability in case of failure of the purchaser to take and pay for the property so sold. In case of any such failure, the property so sold may be again similarly sold.

6. INDEMNIFICATION.

Each of the Guarantors, jointly and severally, will at all times now and hereafter indemnify and hold the Bank harmless from and against all loss or damage arising in connection with this Agreement and against all claims, liability, demands, actions or suits, whether groundless or otherwise, and all liabilities, payments, costs, charges and expenses including attorneys' fees incurred by the Bank.

7. MISCELLANEOUS.

This Agreement shall be binding upon the undersigned and upon the heirs, executors, successors and assigns of the undersigned, and shall inure to the benefit of the Banks' successors, assigns and participants (if any); all references to the Borrower and to the undersigned shall be deemed to include their respective successors, assigns, participants, receivers or trustees (as the case may be).

This Agreement embodies the entire agreement and understanding of the parties hereto, and shall constitute a continuing agreement applicable to future as well as existing transactions between the Bank and the undersigned.

THIS AGREEMENT HAS BEEN DELIVERED AT AND SHALL BE DEEMED TO HAVE BEEN IN CHICAGO, ILLINOIS, AND SHALL BE INTERPRETED, AND THE RIGHTS AND LIABILITIES OF THE PARTIES DETERMINED, IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS, AND AS PART OF THE CONSIDERATION FOR THE BANK'S LENDING MONIES TO THE BORROWER AND ACCEPTANCE OF THIS AGREEMENT, THE UNDERSIGNED CONSENT TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURT LOCATED WITHIN THE STATE OF ILLINOIS, AND FURTHER CONSENT THAT ALL SUCH SERVICE OF PROCESS BE MADE BY REGISTERED MAIL DIRECTED TO THE UNDERSIGNED AT THE ADDRESS STATED AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED TWO (2) DAYS AFTER THE SAME SHALL HAVE BEEN POSTED. THE UNDERSIGNED FURTHER CONSENT TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY THE COURT. UNLESS THE UNDERSIGNED

MAINTAIN A REGISTERED AGENT FOR SERVICE OF PROCESS IN THE STATE OF ILLINOIS, THE UNDERSIGNED IRREVOCABLY APPOINT THE BANK OR SUCH EMPLOYEE OF THE BANK AS THE BANK MAY FROM TIME TO TIME APPOINT, AS THE UNDERSIGNED'S AGENT FOR THE PURPOSE OF ACCEPTING THE SERVICE OF ANY PROCESS WITHIN THE STATE OF ILLINOIS, AND SAID AGENT AGREES TO PROMPTLY FORWARD, BY CERTIFIED MAIL, ANY PROCESS SERVED UPON HIM TO THE UNDERSIGNED AT THE ADDRESS SET FORTH BELOW.

The headings used in this Agreement are for the convenience of the reader only; such headings constitute no part whatsoever of the agreement between the parties.

No invalidity, irregularity or unenforceability of the Indebtedness hereby secured shall affect, impair or be a defense to any provision contained here this Agreement. If any term, condition or provision of this Agreement is determined to be invalid or unenforceable, such determination shall not affect the validity or enforceability of any other term, condition or provision of this Agreement.

If this Agreement shall differ or conflict in terms with any other agreement or obligation or Indebtedness of the undersigned or Borrower to or with the Bank, that which gives the Bank the greater right, as determined by the Bank, shall prevail.

GUARANTORS:

BANK:

Accepted and approved by

By: _____

Name: _____

Title: _____

Source: Tannedfeet.com