EXHIBIT 10.3  
  
 ESCROW AGREEMENT  
 THIS ESCROW AGREEMENT (this “Agreement”) is made and entered into as of June 30,, 2008 among Environment Ecology Holding Co. of China a Chinese corporation, with headquarters located at 391 Hun Xx Xxxx, Xxxx Xxx Street, Xi’an, Shaanxi Province, P.R. China (the “Company”), and Trafalgar Capital Specialized Investment Fund, Luxembourg (the “Buyer”), and The Law Office of Xxxxx X. Xxxxxxx XX, P.A., as Escrow Agent hereunder (the “Escrow Agent”).  
 BACKGROUND  
 WHEREAS, the Company and the Buyer have entered into a Securities Purchase Agreement (the “Securities Purchase Agreement”), dated as of the date hereof, pursuant to which the Company proposes to sell secured convertible redeemable debentures (the “Debentures”) to the Buyer. The Securities Purchase Agreement provides that the Buyer shall deposit the purchase amount in a segregated escrow account to be held by Escrow Agent in order to effectuate a disbursement to the Company at closings to be held as set forth in the Securities Purchase Agreement (each, a “Closing”).  
 WHEREAS, the Company intends to sell Debentures (the “Offering”).  
 WHEREAS, Escrow Agent has agreed to accept, hold, and disburse the funds deposited with it in accordance with the terms of this Agreement.  
 WHEREAS, in order to establish the escrow of funds and to effect the provisions of the Securities Purchase Agreement, the parties hereto have entered into this Agreement.  
 NOW THEREFORE, in consideration of the foregoing, it is hereby agreed as follows:  
 1. Definitions. The following terms shall have the following meanings when used herein:  
 a. “Escrow Funds” shall mean the funds deposited with Escrow Agent pursuant to this Agreement.  
 b. “Joint Written Direction” shall mean a written direction executed by the Buyer and the Company directing Escrow Agent to disburse all or a portion of the Escrow Funds or to take or refrain from taking any action pursuant to this Agreement.  
 c. “Escrow Period” shall begin with the commencement of the Offering and shall terminate upon the earlier to occur of the following dates:  
 (i) The date upon which Escrow Agent confirms that it has received in the Escrow Account all of the proceeds of the sale of the Debentures;  
 (ii) The date upon which a determination is made by the Company and the Buyer to terminate the Offering prior to the sale of all the Debentures.  
 During the Escrow Period, the Company and the Buyer are aware that they are not entitled to any funds received into escrow and no amounts deposited in the Escrow Account shall become the property of the Company or the Buyer or any other entity, or be subject to the debts of the Company or the Buyer or any other entity.  
 2. Appointment of and Acceptance by Escrow Agent. The Buyer and the Company hereby appoint Escrow Agent to serve as Escrow Agent hereunder. Escrow Agent hereby accepts such appointment and, upon receipt by wire transfer of the Escrow Funds in accordance with Section 3 below, agrees to hold, invest and disburse the Escrow Funds in accordance with this Agreement.  
 a. The Company hereby acknowledges that the Escrow Agent is counsel to the Buyer in connection with the transactions contemplated and referred herein. The Company agrees that in the event of any dispute arising in connection with this Escrow Agreement or otherwise in connection with any transaction or agreement contemplated and referred herein, the Escrow Agent shall be permitted to continue to represent the Buyer and the Company will not seek to disqualify such counsel.  
 3. Creation of Escrow Account. On or prior to the date of the commencement of the Offering, the parties shall establish an escrow account with the Escrow Agent, which escrow account shall be entitled as described below. The Buyer will wire funds to the account of the Escrow Agent as follows:  
 Bank:  
Bank of America  
Routing #:  
026009583  
Account #:  
435012658879  
SWIFT #:  
XXXXXX0X   
Name on Account:  
Xxxxx X. Xxxxxxx XX, P.A. as Escrow Agent  
Name on Sub-Account:  
Trafalgar – Environment Ecology Escrow account  
 4. Deposits into the Escrow Account. The Buyer agrees that it shall promptly deliver funds for the payment of the Debentures to Escrow Agent for deposit in the Escrow Account.  
 5. Disbursements from the Escrow Account.  
 a. The Escrow Agent will continue to hold the Escrow Funds until: (a) the Buyer or Trafalgar Capital Sarl on behalf of the Buyer and (b) the Company execute a Joint Written Direction directing the Escrow Agent to disburse the Escrow Funds pursuant to Joint Written Direction signed by the Company and the Buyer. In disbursing such funds, Escrow Agent is authorized to rely upon such Joint Written Direction from the Company and the Buyer and may accept any signatory from the Company listed on the signature page to this Agreement and any signature from the Buyer that the Escrow Agent already has on file. The parties acknowledge that the Transaction Documents (as defined in the Securities Purchase Agreement), including specifically the Debentures shall be held in escrow by the escrow agent and shall only be released to the Buyer simultaneous with the release of the Escrow Funds. In the event the Escrow Funds have not been disbursed by June 30, 2008 the parties agree that the Escrow Funds shall be returned to the Buyer and the Debentures, shares of Common Stock and all Transaction Documents executed by the Company shall be returned to the Company.  
 b. In the event Escrow Agent does not receive the amount of the Escrow Funds from the Buyer, Escrow Agent shall notify the Company and the Buyer. Upon receipt of payment instructions from the Company, Escrow Agent shall refund to the Buyer, without interest the amount received from the Buyer, without deduction, penalty, or expense to the Buyer other than wire transfer fees. The purchase money returned to the Buyer shall be free and clear of any and all claims of the Company, the Buyer or any of their creditors.  
 c. In no event will the Escrow Funds be released to the Company until the Escrow Funds are received by Escrow Agent in collected funds. For purposes of this Agreement, the term “collected funds” shall mean the Escrow Funds received by Escrow Agent shall have cleared normal banking channels and are in the form of cash.  
 6. Collection Procedure. Escrow Agent is hereby authorized to deposit the proceeds of each wire in the Escrow Account.  
 7. Suspension of Performance: Disbursement Into Court. If at any time, there shall exist any dispute between the Company and the Buyer with respect to holding or disposition of any portion of the Escrow Funds or any other obligations of Escrow Agent hereunder, or if at any time Escrow Agent is unable to determine, to Escrow Agent’s sole satisfaction, the proper disposition of any portion of the Escrow Funds or Escrow Agent’s proper actions with respect to its obligations hereunder, or if the parties have not within thirty (30) days of the furnishing by Escrow Agent of a notice of resignation pursuant to Section 9 hereof, appointed a successor Escrow Agent to act hereunder, then Escrow Agent may, in its sole discretion, take either or both of the following action:  
 a. suspend the performance of any of its obligations (including without limitation any disbursement obligations) under this Escrow Agreement until such dispute or uncertainty shall be resolved to the sole satisfaction of Escrow Agent or until a successor Escrow Agent shall be appointed (as the case may be); provided however, Escrow Agent shall continue to invest the Escrow Funds in accordance with Section 8 hereof; and/or  
 b. petition (by means of an interpleader action or any other appropriate method) any court of competent jurisdiction in any venue convenient to Escrow Agent, for instructions with respect to such dispute or uncertainty, and to the extent required by law, pay into such court, for holding and disposition in accordance with the instructions of such court, all funds held by it in the Escrow Funds, after deduction and payment to Escrow Agent of all fees and expenses (including court costs and attorneys’ fees) payable to, incurred by, or expected to be incurred by Escrow Agent in connection with performance of its duties and the exercise of its rights hereunder.  
 c. Escrow Agent shall have no liability to the Company, the Buyer, or any person with respect to any such suspension of performance or disbursement into court, specifically including any liability or claimed liability that may arise, or be alleged to have arisen, out of or as a result of any delay in the disbursement of funds held in the Escrow Funds or any delay in with respect to any other action required or requested of Escrow Agent.  
 8. Investment of Escrow Funds. Escrow Agent shall deposit the Escrow Funds into a segregated escrow account which shall be used solely in connection with this transaction (the “Escrow Account”).  
 If Escrow Agent has not received a Joint Written Direction at any time that an investment decision must be made, Escrow Agent shall maintain the Escrow Funds, or such portion thereof, as to which no Joint Written Direction has been received, in the Escrow Account.  
 9. Resignation and Removal of Escrow Agent. Escrow Agent may resign from the performance of its duties hereunder at any time by giving thirty (30) days’ prior written notice to the parties or may be removed, with or without cause, by the parties, acting jointly, by furnishing a Joint Written Direction to Escrow Agent, at any time by the giving of ten (10) days’ prior written notice to Escrow Agent as provided herein below. Upon any such notice of resignation or removal, the representatives of the Buyer and the Company identified in Sections 13a.(iv) and 13b.(iv), below, jointly shall appoint a successor Escrow Agent hereunder, which shall be a commercial bank, trust company or other financial institution with a combined capital and surplus in excess of US$10,000,000.00. Upon the acceptance in writing of any appointment of Escrow Agent hereunder by a successor Escrow Agent, such successor Escrow Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Escrow Agent, and the retiring Escrow Agent shall be discharged from its duties and obligations under this Escrow Agreement, but shall not be discharged from any liability for actions taken as Escrow Agent hereunder prior to such succession. After any retiring Escrow Agent’s resignation or removal, the provisions of this Escrow Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Escrow Agent under this Escrow Agreement. The retiring Escrow Agent shall transmit all records pertaining to the Escrow Funds and shall pay all funds held by it in the Escrow Funds to the successor Escrow Agent, after making copies of such records as the retiring Escrow Agent deems advisable and after deduction and payment to the retiring Escrow Agent of all fees and expenses (including court costs and attorneys’ fees) payable to, incurred by, or expected to be incurred by the retiring Escrow Agent in connection with the performance of its duties and the exercise of its rights hereunder.  
 10. Liability of Escrow Agent.  
 a. Escrow Agent shall have no liability or obligation with respect to the Escrow Funds except for Escrow Agent’s willful misconduct or gross negligence. Escrow Agent’s sole responsibility shall be for the safekeeping, investment, and disbursement of the Escrow Funds in accordance with the terms of this Agreement. Escrow Agent shall have no implied duties or obligations and shall not be charged with knowledge or notice or any fact or circumstance not specifically set forth herein. Escrow Agent may rely upon any instrument, not only as to its due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained herein, which Escrow Agent shall in good faith believe to be genuine, to have been signed or presented by the person or parties purporting to sign the same and conform to the provisions of this Agreement. In no event shall Escrow Agent be liable for incidental, indirect, special, and consequential or punitive damages. Escrow Agent shall not be obligated to take any legal action or commence any proceeding in connection with the Escrow Funds, any account in which Escrow Funds are deposited, this Agreement or the Purchase Agreement, or to appear in, prosecute or defend any such legal action or proceeding. Escrow Agent may consult legal counsel selected by it in any event of any dispute or question as to construction of any of the provisions hereof or of any other agreement or its duties hereunder, or relating to any dispute involving any party hereto, and shall incur no liability and shall be fully indemnified from any liability whatsoever in acting in accordance with the opinion or instructions of such counsel. The Company and the Buyer jointly and severally shall promptly pay, upon demand, the reasonable fees and expenses of any such counsel.  
 b. Escrow Agent is hereby authorized, in its sole discretion, to comply with orders issued or process entered by any court with respect to the Escrow Funds, without determination by Escrow Agent of such court’s jurisdiction in the matter. If any portion of the Escrow Funds is at any time attached, garnished or levied upon under any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in any case any order judgment or decree shall be made or entered by any court affecting such property or any part thereof, then and in any such event, Escrow Agent is authorized, in its sole discretion, to rely upon and comply with any such order, writ judgment or decree which it is advised by legal counsel selected by it, binding upon it, without the need for appeal or other action; and if Escrow Agent complies with any such order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity by reason of such compliance even though such order, writ judgment or decree may be subsequently reversed, modified, annulled, set aside or vacated.  
 c. Escrow Agent holds Company and Buyer harmless and indemnifies them for any claims, losses, charges, expenses, fines, or penalties, including, but not limited to, the reasonable attorneys fees and costs incurred, which may arise related to acts or omissions which are caused directly by Escrow Agent's gross negligence and intentional misconduct related to Escrow Agent's services under this Escrow Agreement.  
 11. Indemnification of Escrow Agent. From and at all times after the date of this Agreement, the Company and the Buyer, jointly and severally, shall, to the fullest extent permitted by law and to the extent provided herein, indemnify and hold harmless Escrow Agent and each director, officer, employee, attorney, agent and affiliate of Escrow Agent (collectively, the “Indemnified Parties”) against any and all actions, claims (whether or not valid), losses, damages, liabilities, costs and expenses of any kind or nature whatsoever (including without limitation reasonable attorney’s fees, costs and expenses) incurred by or asserted against any of the Indemnified Parties from and after the date hereof, whether direct, indirect or consequential, as a result of or arising from or in any way relating to any claim, demand, suit, action, or proceeding (including any inquiry or investigation) by any person, including without limitation the parties to this Agreement, whether threatened or initiated, asserting a claim for any legal or equitable remedy against any person under any statute or regulation, including, but not limited to, any federal or state securities laws, or under any common law or equitable cause or otherwise, arising from or in connection with the negotiation, preparation, execution, performance or failure of performance of this Agreement or any transaction contemplated herein, whether or not any such Indemnified Party is a party to any such action or proceeding, suit or the target of any such inquiry or investigation; provided, however, that no Indemnified Party shall have the right to be indemnified hereunder for liability finally determined by a court of competent jurisdiction, subject to no further appeal, to have resulted from the gross negligence or willful misconduct of such Indemnified Party. If any such action or claim shall be brought or asserted against any Indemnified Party, such Indemnified Party shall promptly notify the Company and the Buyer hereunder in writing, and the Buyer and the Company shall assume the defense thereof, including the employment of counsel and the payment of all expenses. Such Indemnified Party shall, in its sole discretion, have the right to employ separate counsel (who may be selected by such Indemnified Party in its sole discretion) in any such action and to participate and to participate in the defense thereof, and the fees and expenses of such counsel shall be paid by such Indemnified Party, except that the Buyer and/or the Company shall be required to pay such fees and expense if (a) the Buyer or the Company agree to pay such fees and expenses, or (b) the Buyer and/or the Company shall fail to assume the defense of such action or proceeding or shall fail, in the sole discretion of such Indemnified Party, to employ counsel reasonably satisfactory to the Indemnified Party in any such action or proceeding, (c) the Buyer and the Company are the plaintiff in any such action or proceeding or (d) the named or potential parties to any such action or proceeding (including any potentially impleaded parties) include both the Indemnified Party, the Company and/or the Buyer and the Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the Company or the Buyer. The Buyer and the Company shall be jointly and severally liable to pay fees and expenses of counsel pursuant to the preceding sentence, except that any obligation to pay under clause (a) shall apply only to the party so agreeing. All such fees and expenses payable by the Company and/or the Buyer pursuant to the foregoing sentence shall be paid from time to time as incurred, both in advance of and after the final disposition of such action or claim. The obligations of the parties under this section shall survive any termination of this Agreement, and resignation or removal of the Escrow Agent shall be independent of any obligation of Escrow Agent.  
 The parties agree that neither payment by the Company or the Buyer of any claim by Escrow Agent for indemnification hereunder shall impair, limit, modify, or affect, as between the Buyer and the Company, the respective rights and obligations of Buyer, on the one hand, and the Company, on the other hand.  
 12. Expenses of Escrow Agent. Except as set forth in Section 11 the Company shall reimburse Escrow Agent for all of its reasonable out-of-pocket expenses, including reasonable attorney’s fees, telephone and facsimile transmission costs, postage (including express mail and overnight delivery charges), copying charges and the like. All of the compensation and reimbursement obligations set forth in this Section shall be payable by the Company, upon demand by Escrow Agent. The obligations of the Company under this Section shall survive any termination of this Agreement and the resignation or removal of Escrow Agent.  
 13. Warranties.  
 a. The Buyer makes the following representations and warranties to Escrow Agent:  
 (i) The Buyer has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder.  
 (ii) This Agreement has been duly approved by all necessary action of the Buyer, including any necessary approval of the limited partner of the Buyer or necessary corporate approval, as applicable, has been executed by duly authorized officers of the Buyer, enforceable in accordance with its terms.  
 (iii) The execution, delivery, and performance of the Buyer of this Agreement will not violate, conflict with, or cause a default under any agreement of limited partnership of Buyer or the certificate of incorporation or bylaws of the Buyer (as applicable), any applicable law or regulation, any court order or administrative ruling or degree to which the Buyer is a party or any of its property is subject, or any agreement, contract, indenture, or other binding arrangement.  
 (iv) Xxxxxx Xxxxx has been duly appointed to act as the representative of the Buyer hereunder and has full power and authority to execute, deliver, and perform this Escrow Agreement, to execute and deliver any Joint Written Direction, to amend, modify, or waive any provision of this Agreement, and to take any and all other actions as the Buyer’s representative under this Agreement, all without further consent or direction form, or notice to, the Buyer or any other party.  
 (v) No party other than the parties hereto and the Buyer have, or shall have, any lien, claim or security interest in the Escrow Funds or any part thereof. No financing statement under the Uniform Commercial Code is on file in any jurisdiction claiming a security interest in or describing (whether specifically or generally) the Escrow Funds or any part thereof.  
 (vi) All of the representations and warranties of the Buyer contained herein are true and complete as of the date hereof and will be true and complete at the time of any disbursement from the Escrow Funds.  
 b. The Company makes the following representations and warranties to the Escrow Agent:  
 (i) The Company is a corporation duly organized, validly existing, and in good standing under the laws of China and has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder.  
 (ii) This Agreement has been duly approved by all necessary corporate action of the Company, including any necessary shareholder approval, has been executed by duly authorized officers of the Company, enforceable in accordance with its terms.  
 (iii) The execution, delivery, and performance by the Company of this Agreement is in accordance with the Securities Purchase Agreement and will not violate, conflict with, or cause a default under the certificate of incorporation or bylaws of the Company, any applicable law or regulation, any court order or administrative ruling or decree to which the Company is a party or any of its property is subject, or any agreement, contract, indenture, or other binding arrangement, including without limitation to the Securities Purchase Agreement, to which the Company is a party.  
 (iv) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ has been duly appointed to act as the representative of the Company hereunder and has full power and authority to execute, deliver, and perform this Agreement, to execute and deliver any Joint Written Direction, to amend, modify or waive any provision of this Agreement and to take all other actions as the Company’s Representative under this Agreement, all without further consent or direction from, or notice to, the Company or any other party.  
 (v) No party other than the parties hereto and the Buyer have, or shall have, any lien, claim or security interest in the Escrow Funds or any part thereof. No financing statement under the Uniform Commercial Code is on file in any jurisdiction claiming a security interest in or describing (whether specifically or generally) the Escrow Funds or any part thereof.  
 (vi) All of the representations and warranties of the Company contained herein are true and complete as of the date hereof and will be true and complete at the time of any disbursement from the Escrow Funds.  
 14. Consent to Jurisdiction and Venue. In the event that any party hereto commences a lawsuit or other proceeding relating to or arising from this Agreement, the parties hereto agree that the United States District Court for the Southern District of Florida shall have the sole and exclusive jurisdiction over any such proceeding. If all such courts lack federal subject matter jurisdiction, the parties agree that the State Courts of Florida located in Broward County shall have sole and exclusive jurisdiction. Any of these courts shall be proper venue for any such lawsuit or judicial proceeding and the parties hereto waive any objection to such venue. The parties hereto consent to and agree to submit to the jurisdiction of any of the courts specified herein and agree to accept the service of process to vest personal jurisdiction over them in any of these courts.  
 15. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been validly served, given or delivered five (5) days after deposit in the United States mails, by certified mail with return receipt requested and postage prepaid, when delivered personally, one (1) day delivered to any overnight courier, or when transmitted by facsimile transmission and upon confirmation of receipt and addressed to the party to be notified as follows:  
 If to Buyer, to:  
Trafalgar Capital Specialized Investment Fund  
 0-00 Xxx Xxxxxxx Xxxxx  
 XX 0000  
 X-0000 Xxxxxxxxxx  
 Attention: Xxxxxx Xxxxx, Chairman of the Board of  
 Trafalgar Capital Sarl, General Partner  
 Facsimile: 011-44-207-405-0161 and  
 001-786-323-1651  
 If to Escrow Agent, to:  
Xxxxx X. Xxxxxxx XX, P.A.  
 0000 Xxxxxxxx Xxx  
 Xxxx Xxxxx, XX 00000  
 Attention: Xxxxx Xxxxxxx Esq.  
 Telephone: (000) 000-0000  
 Facsimile: (000) 000-0000  
 If to the Company, to:  
Environment Ecology Holding Co. of China  
 391 Hun Xx Xxxx, Xxxx Xxx Street  
 Xi’an Shaanxi Province, P.R. China  
 Attention: Xx. Xxx Xxxxx Xx, President  
 Telephone:  
 Facsimile:  
 With a copy to:  
JPF Securities Law, LLC  
 00000 Xxxxxx Xxxxx, Xxxxx 000X  
 Xxxxxxxxx, XX 00000  
 Attention: Xxxxx X. Xxxxxxxxxxxx, Esq. LLM  
 Telephone: (000) 000-0000  
 Facsimile: (000) 000-0000  
  
 Or to such other address as each party may designate for itself by like notice.  
 16. Amendments or Waiver. This Agreement may be changed, waived, discharged or terminated only by a writing signed by the parties hereto. No delay or omission by any party in exercising any right with respect hereto shall operate as waiver. A waiver on any one occasion shall not be construed as a bar to, or waiver of, any right or remedy on any future occasion.  
 17. Severability. To the extent any provision of this Agreement is prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition, or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.  
 18. Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Florida without giving effect to the conflict of laws principles thereof.  
 19. Entire Agreement. This Agreement constitutes the entire Agreement between the parties relating to the holding, investment, and disbursement of the Escrow Funds and sets forth in their entirety the obligations and duties of the Escrow Agent with respect to the Escrow Funds.  
 20. Binding Effect. All of the terms of this Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the respective heirs, successors and assigns of the Buyer, the Company, or the Escrow Agent.  
 21. Execution of Counterparts. This Agreement and any Joint Written Direction may be executed in counter parts, which when so executed shall constitute one and same agreement or direction.  
 22. Termination. Upon the first to occur of the disbursement of all amounts in the Escrow Funds pursuant to Joint Written Directions or the disbursement of all amounts in the Escrow Funds into court pursuant to Section 7 hereof, this Agreement shall terminate and Escrow Agent shall have no further obligation or liability whatsoever with respect to this Agreement or the Escrow Funds.  
 IN WITNESS WHEREOF the parties have hereunto set their hands and seals the day and year above set forth.  
 ENVIRONMENT ECOLOGY HOLDING CO. OF CHINA  
 By:   
 Name: Xxx Xxxxx Li  
 Title: President  
 TRAFALGAR CAPITAL SPECIALIZED  
 INVESTMENT FUND, LUXEMBOURG  
 By: Trafalgar Capital Sarl  
 Its: General Partner  
 By:   
 Name: Xxxxxx Xxxxx  
 Title: Chairman of the Board  
 THE LAW OFFICE OF  
 XXXXX X. XXXXXXX XX, P.A.  
 By:   
 Name: Xxxxx Xxxxxxx, Esq.  
 Title: President