

INVENTORY SECURITY AGREEMENT

THIS AGREEMENT made effective as of the ____ day of _____, _____.

BETWEEN:

[NAME OF DEBTOR]
[address]
(the "Debtor")

OF THE FIRST PART

- and -

[NAME OF SUPPLIER]
[address]
(the "Supplier")

OF THE SECOND PART

IN CONSIDERATION of the payment of the sum of \$10.00, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Debtor and Supplier hereby agree as follows:

1. SUPPLIER'S GOODS

The Debtor and Supplier agree that the following provisions shall apply to any order, sale or delivery of goods or property between Supplier as seller or supplier and the Debtor as purchaser or recipient, whether the goods or property in question are being ordered, sold or delivered as inventory or for the purpose of resale by the Debtor or for consignment or for any other purpose whatsoever, and whether the goods or property are to be sold or used by the Debtor separately or in conjunction with or as parts, additions, attachments or accretions to any other goods or property of any kind whatsoever ("Supplier's Goods"):

- (a) Title to Supplier's Goods shall remain in Supplier and its assignees and successors, and title shall not vest in the Debtor or any purchaser or assignee therefrom, unless and until payment in full of the purchase price therefor and performance or fulfillment by the Debtor of all other obligations of the Debtor agreed to or imposed at the time of ordering, selling or delivering;
- (b) The Security Interest hereinafter described shall include and shall extend to the Debtor's rights and entitlements to and with respect to Supplier's Goods;
- (c) Notwithstanding the forgoing, the Debtor shall be obligated to complete the purchase of all Supplier's Goods it orders from the Debtor upon the terms agreed to between the parties as applicable to that order, and the Debtor shall remain fully liable and indebted to the Supplier for:
 - (i) the full amount of such order (less all monies paid by the Debtor to the Supplier on account or credited to the Debtor by the Supplier; and
 - (ii) all damages, losses or reasonable costs suffered by the Supplier by virtue of the Debtor's default in completing any such purchase or otherwise defaulting in its obligations to the Supplier, including economic losses and loss of profits;
- (d) The Debtor's obligations for and with respect to Supplier's Goods, including payment of the full purchase price therefor, shall be deemed to form part of the Obligations hereinafter described;
- (e) As long as the Debtor is not in default hereunder, the Debtor may sell the Supplier's Goods in the ordinary course of the Debtor's business, but shall not otherwise sell, transfer or dispose of the Supplier's Goods without the Supplier's prior written approval;

- (f) Any proceeds of the sale or disposition of the Supplier's Goods:
 - (i) shall be held in trust by the Debtor for and on behalf of the Supplier until such time as the Debtor has paid the Supplier in full for such Supplier's Goods, and
 - (ii) shall be immediately used to satisfy the Debtor's obligations to the Supplier, including payment of the balance of the purchase price therefor;
- (g) Upon delivery to the Debtor, the Supplier's Goods shall remain at the risk of the Debtor who shall insure them for their full value against any and all risk or damage with loss payable to the Supplier and the Debtor as their interests may appear; loss, damage, injury, destruction, theft or confiscation of the Supplier's Goods will not release the Debtor from his obligations therefor including his obligation to pay for same; the Debtor will supply the supplier with proof of insurance upon request;
- (h) The Debtor shall keep the Supplier's Goods free from mortgage, pledge, encumbrance, taxes, source deductions, deemed trusts, distress, lien or security interests having any priority over the Security Interest granted in this agreement or giving rise to any rights in any person other than the Supplier or the Debtor to take possession of or dispose of the Supplier's Goods ("Unauthorized Interests") except for the Security Interest granted to the Supplier in this security agreement; in the even the Supplier is required by law or circumstance to pay or satisfy any Unauthorized Interest in order to obtain possession of or dispose of the Supplier's Goods or otherwise to protect its rights in the Supplier's Goods or the Security Interest granted herein then the full amount of such payments (with interest and reasonable fees and expenses) shall be added to the Debtor's Obligations and shall be paid by the Debtor the Supplier immediately upon demand;
- (i) In addition to the foregoing, the rights and obligations of the parties for and with respect to Supplier's Goods shall be governed by the balance of the terms and provisions of this agreement.

2. SECURITY INTEREST