

INVENTORY SECURITY AGREEMENT

THIS AGREEMENT made effective as of the ____ day of _____, _____ between [Company] (the "Secured Party") and [Customer] (the "Customer"). The principal place of business of the Customer is [full address including postal or zip code].

THE PARTIES HERETO AGREE AS FOLLOWS:

1. Scope of Agreement

1.1 The Customer is engaged in the business of [business]. In order to enable the Customer to purchase Inventory, as defined below, the Secured Party may advance to the Customer such credit as the Secured Party in its sole discretion may deem advisable which advances are to be secured by a purchase money security interest granted by the Customer.

2. Definitions

2.1 In this Agreement, the following terms shall have the corresponding meaning as set out below:

- (a) "Inventory" includes all goods and products manufactured, sold, distributed or financed by Secured Party or by such others from time to time that are held by the Customer for sale or lease to the public or that are furnished under a contract of service or otherwise;
- (b) "Proceeds" includes all cash and non-cash proceeds received by the Customer upon the sale or lease of Inventory including, without limitation, all accounts, contract rights and also chattel paper and instruments together with any amounts payable pursuant to policies of insurance covering Inventory;
- (c) "Obligations" include:
 - (i) all amounts and advances owing or that may become owing by the Customer to the Secured Party as set out in this Agreement or any other agreement between the parties;
 - (ii) any other liabilities and obligations, whether monetary or otherwise, now existing or hereafter arising in favour of the Secured Party, including any solicitor's fees and expenses to which the Secured Party may be entitled as further provided in this Agreement.

3. Security Interest and Collateral

3.1 As security for the payment by the Customer of the Obligations under this Agreement, the Customer hereby grants to the Secured Party a purchase-money security interest in all of the present and hereafter acquired Inventory of the Customer and all Proceeds therefrom, which Inventory and Proceeds collectively constitute the Collateral created by this Agreement.

3.2 The Secured Party and Customer agree that where Inventory is sold to the Customer, the property in, ownership of and title to that Inventory shall not pass to the Customer, but shall remain with the Secured Party until each item of Inventory has been paid in full to the Secured Party.

4. Warranties

4.1 The Customer represents and warrants to the Secured Party as follows:

- (a) If the Customer is a corporation, partnership or other business entity, that it:
 - (i) is duly incorporated (if a corporation), organized, validly existing and in good standing under the laws of the Province of [province],
 - (ii) the name of the Customer set out herein is and always has been the legal name and that it will not change its name by amalgamation or by any other means without notifying the Secured Party in writing ____ days before so doing,

- (iii) is duly qualified to do business in every jurisdiction in which such qualification is necessary,
 - (iv) has the power and authority to own its properties and to carry on its business as now being conducted and to execute and perform its obligations under this Agreement, and
 - (v) has duly authorized the execution, delivery and performance of this Agreement;
- (b) No approval is required from any regulatory body, board, authority or commission, nor from any other administrative governmental agency, nor from any other person, firm or corporation with respect to the execution of this Agreement by the Customer and the payment and performance by the Customer of all of the Customer's Obligations hereunder, or, if required, such approval has been obtained;

THIS IS A 6-PAGE FORM.