

PURCHASE MONEY SECURITY AGREEMENT

TO : **TECH DATA CANADA CORPORATION**
(hereinafter called the "**Secured Party**")

GRANTED BY: _____
(hereinafter called the "**Undersigned**")

1. As general and continuing security for the payment of all obligations, indebtedness and liabilities, direct or indirect, of the Undersigned to the Secured Party wheresoever and howsoever incurred and whether incurred before, at the time of or after the execution hereof, including extensions or renewals thereof, including without restricting the generality of the foregoing, obligations of the Undersigned to the Secured Party for the purchase price of inventory supplied by the Secured Party to the Undersigned on credit (the obligations, indebtedness and liabilities of the Undersigned referred to above are hereinafter collectively called "Obligations"), and, IN CONSIDERATION OF THE OBLIGATIONS, the Undersigned hereby grants, bargains, assigns and transfers to the Secured Party, a fixed and specific mortgage and charge, as and by way of a continuing security interest (hereinafter together with any other security interest hereby created called the "Security Interest") in the following property described in sub-paragraphs (a) and (b) of this paragraph now or hereafter owned or acquired by or on behalf of the Undersigned:

- (a) All goods supplied by the Secured Party to the Undersigned on credit hereunder which now or hereafter form all or part of the inventory of the Undersigned, of whatever kind and wherever located, including, without limitation, the goods described in Schedule "A" attached hereto and all goods held for sale or lease or that have been leased or that are to be furnished or have been furnished under a contract of service, or that are raw materials, work in process or materials used or consumed in a business or profession (hereinafter called "Inventory");
- (b) All identifiable or traceable personal property in any form derived directly or indirectly from any dealing with Inventory or the proceeds therefrom, including any payment representing indemnity or compensation for loss of or damage to the Inventory or proceeds therefrom;
- (c) In this Agreement the words "goods", "inventory", "proceeds" and "security interest" shall have the same meaning as their defined meanings in the Personal Property Security Act, R.S.O. 1990, c. P.10 as amended (the "PPSA") or any legislation in substitution or replacement therefor. In this Agreement, any reference to the word "Collateral" shall, unless the context otherwise requires, refer to "Collateral or any part thereof".

All of the above mentioned property is hereinafter called the "Collateral".

2. The Undersigned hereby represents, warrants or covenants to or with the Secured Party, as the case may be, that:

- (a) (i) The Undersigned will reimburse the Secured Party for all costs and expenses

(including legal fees on a solicitor and his own client basis) incurred by it in the taking, recovering or possessing the Collateral and in any other proceedings taken for the purpose of protecting or enforcing the remedies provided herein, or otherwise in relation to the Collateral by reason of non-payment of the obligations and bear interest at the highest rate borne by any of the Obligations and shall be payable on demand;

(ii) If any Collateral is in the possession of the Secured Party after default by the Undersigned hereunder and the same is lost or damaged otherwise than through the negligence of the Secured Party, the risk of loss or damage is on the Undersigned to the extent of any deficiency in any insurance coverage, provided that pending the payment of any insurance proceeds, the Secured Party may estimate reasonably the deficiency and such estimated deficiency shall be added to and become part of the Obligations and shall bear interest at the highest rate borne by any of the Obligations and shall be payable on demand.

- (b) Except for the Security Interest the Undersigned is, or respecting the Collateral acquired after the date hereof will be, the owner of the Collateral free from any mortgage, lien, charge, security interest or encumbrance in priority to the Security Interest and the Undersigned will keep the Collateral free and clear of all taxes, assessments, liens and encumbrances and claims of others. The Secured Party may, in its sole discretion, pay any or all amounts in respect of any and all mortgages, liens, charges, security interests, encumbrances, taxes, assessments or claims arising against the Collateral and any amount so paid together with all costs incurred in connection therewith shall be deemed to be part of the Obligations and therefore secured and recoverable under the Security Interest granted in paragraph 1 above;
- (c) The Undersigned will at all times keep accurate and complete records of all purchases, transfers, sales and other dispositions of any or all of the Collateral. The Secured Party and each of its representatives or agents shall have the right to inspect the Collateral and the said records and make extracts from the Undersigned's books and records relating to the Collateral or to any transaction between the parties hereto at any reasonable time;
- (d) The Undersigned shall indemnify and hold the Secured Party and its representatives safe and harmless from all claims made by any persons as the result of the Secured Party or its representatives exercising any or all of its rights or remedies granted herein;
- (e) The Undersigned will care for, protect and preserve the Collateral and not permit its value to be impaired and, subject to paragraph 4, will not sell, transfer, assign, mortgage, charge, pledge, hypothecate or deliver or otherwise dispose of any such property or any interest therein without the prior written consent of the Secured Party;
- (f) The Collateral shall be at the Undersigned's sole risk of any loss, injury, damage, destruction or confiscation during the Undersigned's possession thereof. The Undersigned agrees that any such loss, injury, damage, destruction or confiscation shall not release the Undersigned from the Obligations. The Undersigned will keep the Collateral insured under policies of insurance with such provisions, for such amounts and by such insurers satisfactory to the Secured Party from time to time, and will maintain such insurance with loss, if any, payable to the Secured Party and will, at the Secured Party's request, lodge

such policies with the Secured Party and such policies shall provide for 15 days written minimum cancellation notice to the Secured Party. In default of the Undersigned obtaining and maintaining such insurance, the President of the Secured Party may act, and is hereby appointed the attorney for the Undersigned in obtaining, adjusting, settling and canceling such insurance;

- (g) The Secured Party shall be entitled from time to time and at any time to inspect the Collateral wherever located and to make enquiries and tests concerning the Collateral, and the Undersigned will defray all expenses in connection therewith;
- (h) This Agreement has been properly authorized and constitutes a legally valid and binding obligation of the Undersigned enforceable in accordance with its terms and the execution and delivery of this Agreement by the Undersigned will not conflict with or violate the terms of any contract, indenture, mortgage, lease, instrument, agreement or resolution to which the Undersigned is a Party or by which it is bound;
- (i) The Undersigned warrants that the Undersigned's name as set out herein is and always has been the Undersigned's full and exact name. The Undersigned further warrants that all other information set out herein is full and accurate; and
- (j) When the Inventory or any part thereof is sold or delivered to the Undersigned by the Secured Party, title and ownership of each part of the Inventory shall not pass to the Undersigned but shall be and remain in the Secured Party until all Obligations in respect of each such part are paid or performed in full.
- (k) The Undersigned's principal place of business and the locations of the Collateral is/are at the address(es) shown below the Undersigned's signature on the last page of this Agreement and the Undersigned shall promptly notify the Secured Party in writing of any change in such addresses and subject to paragraph 4 will not remove any of the Collateral from the said locations without the prior written consent of the Secured Party;
- (l) The Undersigned shall from time to time forthwith on the Secured Party's request do, make and execute all such financing statements, further documents, acts, matters and things as may be required by the Secured Party with respect to the Collateral or any part thereof or as may be required to give effect to the provisions of this Agreement and of perfecting title of the Secured Party in the Collateral and the Undersigned hereby irrevocably constitutes and appoints the President of the Secured Party from time to time the true and lawful attorney of the Undersigned, with power of substitution, to do, make and execute all of such documents, acts, matters or things with the right to use the name of the Undersigned whenever and wherever it may deem necessary or expedient.
- (m) The Undersigned hereby covenants to give a Secured Party at least five (5) days written notice before it makes any payment of any type or form including, but not limited to, dividends, bonuses, fees and repayment of shareholder advances and loans and other like payments, to any shareholder(s), officer(s), director(s) or employee(s) of the Corporation or any holding body corporate of the Undersigned, subsidiary of the Undersigned or a corporation affiliated, as such term is defined in the Business Corporations Act, R.S.O.

1990, as amended, with the Corporation. The foregoing shall not include remuneration paid to any shareholder(s), officer(s), director(s), or employee(s) in the normal course of the Undersigned's business based on and consistent with past practices. Such notice must set out at minimum, the amount of the payment, when the payment is to be made, to whom the payment is to be made and why the payment is to be made

3. The Secured Party shall be under no obligation to sell on credit any Inventory to or for the benefit of the Undersigned notwithstanding anything contained herein to the contrary. Any invoice or notice of shipment pertaining to Inventory ordered or received by the Undersigned shall be conclusive evidence that the Security Interest granted in paragraph 1 hereof applies to said Inventory.
4. Notwithstanding anything herein contained, the Undersigned when not in default hereunder may sell the Inventory in the ordinary course of the Undersigned's business provided that the Undersigned shall provide to the Secured Party on the last day of each month a detailed list setting out the sales of the Inventory in which the Secured Party has a Security Interest hereunder for the said month including, without limitation, the name and address of the Undersigned's customers. All amounts owing by the Undersigned for Inventory purchased from the Secured Party shall become due and payable, and the Undersigned hereby promises to pay the same, despite the absence of a demand for payment of same on or before the date of the expiration of the credit period contained in the invoices or notices of shipment in respect of such Inventory. The Undersigned shall pay interest to the Secured Party accruing after the said date on all amounts due at the rate of One and One-half per cent (1.5 %) per month or Eighteen per cent (18%) per annum until payment of same in full. Proceeds shall be received by the Undersigned in trust for the Secured Party and shall be forthwith paid over to the Secured Party.
5. Obligations not payable on demand shall become immediately payable upon the occurrence of one or more of the following events of default:
 - (a) the Undersigned defaults in the payment of any amount owing to the Secured Party as and when the same comes due or fails to perform when required any of the Obligations or to perform or rectify a breach of any of the representations or warranties or covenants of this Agreement or any other agreement between the Undersigned and the Secured Party;
 - (b) the Undersigned makes or proposes to make any sale of the Collateral in bulk or any sale of the Collateral out of the usual course of its business;
 - (c) if any receiver, administrator or manager of the property, assets or undertaking of the Undersigned is appointed pursuant to the terms of any trust deed, trust indenture, debenture, security agreement or similar instrument or by or under any judgment or order of any court of competent jurisdiction or the Undersigned ceases or threatens to cease to carry on business, commits or threatens to commit any act of bankruptcy, becomes insolvent or the subject of insolvency proceedings or becomes bankrupt or subject to the provisions of the Winding-Up Act or the Bankruptcy and Insolvency Act (Canada), or the Companies' Creditors Arrangement Act (Canada), or goes into liquidation for any reason whatsoever;

- (d) if an encumbrancer takes possession of the Collateral or any part thereof or any substantial part of the property of the Undersigned, or if any process of execution, distress or the like is levied or enforced upon or against any of the Collateral or any substantial part of the property of the Undersigned or the indebtedness or liability of the Undersigned other than to the Secured Party becomes due and payable, or capable of being declared due and payable, before the stated maturity thereof or any such indebtedness or liability shall not be paid at the maturity thereof or upon the expiration of any stated applicable grace period thereof or any guarantee given by the Undersigned is not honoured when due and called upon;
 - (e) if the Undersigned fails to pay taxes, rates, charges, rents payable on its property, or other charges of a like nature, whether governmental or otherwise, assessed or payable in respect of any of the Collateral or if the Undersigned fails to observe and perform any of the covenants in any lease, license, concession or agreement whereby any of the Collateral or any right of the Undersigned may become liable to forfeiture and any such default as aforesaid shall continue, either for a period of ten (10) days or for such shorter period as would at any time, if continued, render any of the Collateral liable to forfeiture;
 - (f) the loss, theft, damage or destruction of the Collateral or any substantial part of the property of the Undersigned; or
 - (g) any other event which causes the Secured Party, in good faith and on commercially reasonable grounds, to deem itself insecure or to consider that the Collateral is in jeopardy; and the Secured Party shall have all rights and remedies under applicable law as well as any other rights and remedies provided by this Agreement.
6. In addition to the rights, powers and remedies provided in this Agreement and under the PPSA the Secured Party and the Receiver, as defined in paragraph 7, shall have the following rights and powers if the security hereby constituted becomes enforceable:
- (a) the Secured Party may, at its option, add to the amount secured under this Agreement all other balances owing by the Undersigned to the Secured Party under any other contract or contracts and shall have all rights and remedies for the recovery of same as if the said moneys were originally secured under this Agreement;
 - (b) the Secured Party may, in its sole discretion, with or without legal process, take immediate possession of the Collateral and thereafter all the rights of the Undersigned in the Collateral shall cease and terminate thereupon absolutely, and the Undersigned hereby authorizes and instructs the Secured Party that in the event of repossession, the Secured Party or its agent or bailee may enter on the premises of the Undersigned at any time during the day or night and by itself or by or with its servants, agents, or receivers to break or force open doors, locks, or other fastenings for the purpose of repossessing the Collateral and the Undersigned hereby releases the Secured Party, the Secured Party's agent, bailee or Receiver from all or any liability or damage from so doing, and does hereby expressly waive any action or right of action of any kind whatsoever against the Secured Party, the Secured Party's agent, bailee or Receiver growing out of the removal, repossession or retention of the Collateral or otherwise.

- (c) the Secured Party at its sole discretion may require the Undersigned to, and the Undersigned shall, assemble the Collateral and make it available to the Secured Party at a place to be designated by the Secured Party.
 - (d) to sue for any deficiencies; and
 - (e) to exercise any other remedies or take any other proceedings authorized or permitted hereby or by law or equity.
7. The Secured Party may appoint (and replace and reappoint in place of the original Receiver) in writing any person, whether an employee or employees of the Secured Party or not, to be a receiver, receiver and manager or agent ("Receiver") of the Collateral or any part or parts thereof. A Receiver so appointed shall have power:
- (a) to take possession of, collect and get in the Collateral, or any part thereof and for that purpose to take any proceedings in the name of the Undersigned or otherwise;
 - (b) to carry on or concur in carrying on the business of the Undersigned and for that purpose to raise money on the Collateral in priority to this Agreement or otherwise;
 - (c) to sell or concur in selling any of the Collateral; and
 - (d) to make any arrangement or compromise which the Receiver shall think expedient in the interest of the Secured Party.

Any Receiver so appointed shall be deemed to be the agent of the Undersigned, and the Undersigned shall be solely responsible for the Receiver's acts or defaults and for the Receiver's remuneration and expenses, and the Secured Party shall not be in any way responsible for any misconduct or negligence on the part of the Receiver. All moneys received by the Receiver after providing for payment of all costs, charges and expenses of or incidental to the exercise of any of the powers of the Receiver shall be applied in or towards satisfaction of the Obligations. The rights and powers conferred by this paragraph are in supplement of and not in substitution for any rights the Secured Party may have from time to time.

8. The Secured Party shall have the right at any time to appropriate any payment made to any portion of the Obligations and to revoke or alter any such appropriation.
9. Any breach by the Undersigned of any of the provisions contained in this Agreement or any default by the Undersigned in the observance or performance of any covenant or condition required to be observed or performed by the Undersigned hereunder may only be waived by the Secured Party in writing, provided that no such waiver by the Secured Party shall extend to or be taken in any manner to effect any subsequent breach or default or the rights resulting therefrom. The Secured Party may grant extensions of time and other indulgences, take and give up any of the Security Interest, or modify or abstain from perfecting or taking advantage of any of the Security Interest, accept compositions, grant releases and discharges thereof and otherwise deal with the Undersigned, debtors of the

Undersigned, sureties and others with any of the Security Interest as the Secured Party may see fit without prejudice to the liability of the Undersigned or the Secured Party's right to hold and realize on any of the Security Interest. The Secured Party shall not be accountable to the Undersigned for the value of any of the Security Interest released except for any moneys actually received by the Secured Party.

10. If more than one person executes this Agreement, the term "Undersigned" shall include each as well as all of them, any and all of their obligations hereunder shall be joint and several and these presents and such obligations shall continue in full force and effect and apply notwithstanding any change for any cause or in any manner whatsoever in the composition of or membership of any firm or company which is a party hereto.
11. This Agreement shall be a continuing agreement in every respect for the payment of the Obligations and it shall remain in full force and effect until all of the Obligations shall be paid in full and the Secured Party shall have provided to the Undersigned a written release of this Agreement.
12. This Agreement is in addition to and not in substitution for any other security or agreement now or hereafter held by the Secured Party. All rights and remedies of the Secured Party prescribed in this Agreement shall be cumulative and no remedy herein conferred or reserved is intended to be exclusive but shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. The taking of a judgment or judgments under any of the covenants herein contained shall not operate as a merger of the said covenants or affect the right of the Secured Party to interest at the highest rate borne by any of the Obligations.
13. The undersigned acknowledges and agrees, that in the event it amalgamates with any other company or companies, it is the intention of the parties hereto that the term "Undersigned" when used herein shall apply to each of the amalgamating companies and to the amalgamated company, such that the Security Interest granted hereby (i) shall extend to "Collateral" (as that term is herein defined) owned by each of the amalgamating companies and the amalgamated company at the time of amalgamation and to any "Collateral" thereafter owned or acquired by the amalgamated company; and (ii) shall secure the "Obligations" (as that term is herein defined) of each of the amalgamating companies and the amalgamated company to the Secured Party at the time of amalgamation and any "Obligations" of the amalgamated company to the Secured Party thereafter arising. The Security Interest shall attach to "Collateral" owned by each company amalgamating with the Undersigned, and by the amalgamated company, at the time of the amalgamation, and shall attach to any "Collateral" thereafter owned or acquired by the amalgamated company when such becomes owned or is acquired.
14. Any notice given by the Secured Party in connection with this Agreement may be given by mailing the same addressed to the Undersigned at the principal place of business address set out on the sixth (6th) page of this agreement Attention: The President and any notice so mailed shall be conclusively deemed to have been received by the Undersigned on the next business day following that on which it was so mailed.

15. All rights of the Secured Party hereunder shall be assignable and in any action brought by an assignee to enforce such rights, the Undersigned shall not assert against the assignee any claim or defence which the Undersigned now has or may hereafter have against the Secured Party. This Agreement shall not be assigned by the Undersigned without the consent of the Secured Party. Subject to the foregoing, this Agreement and all its provisions shall enure to the benefit of the Secured Party, its successors and assigns and shall be binding upon the Undersigned, its heirs, executors, administrators, successors and assigns, as the case may be.
16. Time shall be of the essence of this Agreement and every part hereof.
17. This Agreement shall be governed in all respects by the laws of the Province in which the Inventory is located and the parties hereto irrevocably attorn to the jurisdiction of the courts of the said Province. In the event any provisions of this Agreement shall be deemed invalid or void by any court of competent jurisdiction, the remaining terms and provisions of this Agreement shall remain in full force and effect.
18. The Undersigned acknowledges receipt of a copy of this Agreement.

IN WITNESS WHEREOF the Undersigned has executed this Agreement this ____ day of _____, 20_____.

(Name of Corporation)

(Principal Signature)

Name: _____

Title: _____

PRINCIPAL PLACE OF BUSINESS OF THE UNDERSIGNED:-

COLLATERAL IS NOW AND WILL HEREAFTER BE LOCATED AT THE FOLLOWING ADDRESS(ES):

As above

(Street) (Town/City) (Province)

(Street) (Town/City) (Province)

(Street) (Town/City) (Province)

(Street) (Town/City) (Province)

SCHEDULE "A"

All computers, computer equipment and accessories including but not limited to central processing units, modems, printers, cards, terminals, keyboards, cables, software, multimedia products, memory chips and boards, disk drives, controllers, LAN products, monitors, tape back-ups, video boards, UNIX boards, emulation cards, controllers, battery back-ups and CAD products manufactured by (but not limited to) AST, NEC, DEC, IBM, Maxtor Corporation, D-Link, Acer, Goldstar, Toshiba, US Robotics, Okidata, Hewlett Packard, Compaq and such other manufacturers currently supplying to or added to Tech Data Canada Corporation's product line from time to time (the "Collateral").