

SECURITY ENGINEERED MACHINERY
RESELLER AGREEMENT

This agreement (“Agreement”) is made as of this ____ day of _____, 20____ (the “Effective Date”), by and between (“SEM”) Security Engineered Machinery Co., Inc. (“Vendor”), a Massachusetts corporation with its principal place of business at 5 Walkup Drive, Westboro, MA 01581 and _____, a corporation, LLC, partnership, sole proprietor or other entity with its principal place of business at _____ (“Reseller”).

In consideration of the mutual covenants contained herein, the parties agree as follows:

1. TERM OF AGREEMENT

1.1 The term of this Agreement is one (1) year from the Effective Date. The term shall automatically renew for successive one (1) year terms unless earlier terminated as provided in Section 6. Any Products sold by Vendor to Reseller after the expiration of this Agreement shall be governed by the terms herein.

2. APPOINTMENT OF RESELLER

2.1 Subject to the terms and conditions of this Agreement, Vendor hereby appoints Reseller as a non-exclusive reseller to fulfill accepted, bona fide orders placed by end-users for the goods designated in Exhibit A hereto (the “Products”). Reseller hereby accepts said appointment, and agrees to use its best efforts to promote and maximize sales of the Products to government and commercial end-users. Reseller acknowledges that this Agreement does not authorize Reseller to resell Products to any other reseller or to resell the Products to anyone other than end-users of the Products. Reseller agrees that it shall purchase the Products exclusively from Vendor during the term of this Agreement. Reseller also agrees to comply with all obligations set forth in this Agreement.

2.2 Reseller agrees that it is an independent contractor, not an agent, employee, stocking distributor, or franchise of Vendor or any manufacturer of any Product or Product component (hereinafter, “Manufacturer”). Reseller acknowledges that it has not paid Vendor or any Manufacturer any fee of any kind in exchange for its right to sell the Products. Reseller is not authorized to assume or create any obligation or responsibility, including but not limited to obligations based on warranties or guarantees or other contractual obligations, on behalf or in the name of Vendor or any Manufacturer. Reseller shall not misrepresent its status or authority. To the extent permissibly by law, Reseller agrees to indemnify and hold Vendor and Manufacturers harmless from any costs (including but not limited to reasonable attorneys’ fees), damages and liabilities arising out of or relating to Reseller’s failure to comply with this Article 2.2 in any respect.

2.3 During the term of this Agreement, Reseller is authorized to use Vendor’s trade names, trademarks, and logos relating to the Products, but only as expressly authorized by Vendor. Reseller shall submit for Vendor’s approval all proposed use of Vendor’s trade names, trademarks, and logos at least 10

days prior to use. Reseller shall not use any Vendor trade name, trademark, or logo as part of Reseller's trade or business name or in any other way that Vendor considers misleading or objectionable.

3. RESELLER OBLIGATIONS

3.1 Prices to Reseller shall be as set forth in Vendor's Wholesale Price List, as in effect at the time of shipment. Vendor's Wholesale Price List is subject to change at the discretion of Vendor. It is agreed that Vendor's Wholesale Price List and any other information designated by Vendor as "confidential" contains proprietary information belonging to Vendor and will be treated by Reseller as confidential and shall not be revealed, disseminated or displayed to anyone other than Reseller.

3.2 Reseller agrees that all Products are sold pursuant to the terms and conditions set forth herein, except as otherwise specified in writing by Vendor. No additional or different terms set forth in Reseller's purchase order, acknowledgment or other forms or correspondence shall govern any sales of Products by Vendor to Reseller. Reseller shall comply with all payment terms and conditions of sale herein, and any breach thereof shall also constitute a breach of this Agreement:

3.2.1 All Purchase orders must be in writing and submitted by mail, fax, or email.

3.2.2 Reseller shall be invoiced by Vendor upon shipment of the Product. Reseller agrees to pay all invoices in U.S. Dollars. Invoices not paid in accordance with the payment terms designated therein will be subject to a 1.5% per month interest charge on any outstanding balance or the maximum interest allowed by law, whichever is less.

3.2.3 Reseller agrees to pay all costs of collection, including attorney's fees, incurred by Vendor upon Reseller's breach of this Agreement.

3.2.4 Payment terms are net 30 from date of invoice, provided that Vendor has granted open credit to Reseller based on Vendor's acceptance of a complete and satisfactory credit application in a form to be provided by Vendor.

3.2.5 Products will be shipped via common carrier selected by Vendor to the address designated on Reseller's purchase order. Title to the Products and risk of loss shall pass to Reseller upon deliver to the common carrier. Reseller is responsible for insurance coverage on all shipments of Products.

3.2.6 Reseller shall be liable for and shall pay any and all taxes, duties, import/export taxes and/or fees, excise or charges related to the sale of Products that may be assessed, charged, imposed, levied, or otherwise required to be paid by any public authority.

3.2.7 Freight, delivery, and installation policies applicable to shipment of the Products shall be as set forth in Exhibit B attached hereto or as otherwise specified by Vendor in writing.

3.3 Reseller agrees that all product returns require prior approval and a written Return Merchandise Authorization number issued by Vendor. Such approval and authorization must be requested by Reseller within thirty (30) days of original shipment of the product. All returned products

must be in their original packaging and all authorized returns for reasons other than product defects or damage will accrue a 15% re-stocking charge. Products shipped in error by Vendor may be returned at no charge, but still require a Return Merchandise Authorization number.

3.4 Until such time as any Products sold pursuant to this Agreement are paid in full, Reseller does hereby grant to Vendor a continuing security interest in the Products and all proceeds of their sale or other disposition. Vendor shall have all rights of a secured party under the Uniform Commercial Code and applicable state law.

3.5 Reseller agrees that Vendor may, in its sole discretion and without notice to Reseller, before or after an acceptance of an order from Reseller, discontinue the sale of any Product or line of Products without liability to Reseller.

3.6 Reseller agrees to provide prompt, competent and efficient first tier support for the Products, which shall include customer contact, order processing, returns management and marketing. Reseller agrees to train technical staff and sales staff on the use and operation of the Products and that its service and sales efforts will be at least as intensive with regard to Vendor's Products as they are toward other brands of products carried by Reseller.

3.7 Reseller agrees to provide Vendor with such sales and forecasting data as Vendor may reasonably request.

3.8 Reseller agrees not to disparage Vendor's name or its products to customers or other resellers.

3.9 Reseller agrees that both during the term of this Agreement and thereafter it shall not use for its own benefit or the benefit of any other party, or divulge or disclose to any person, any information of the Vendor not already lawfully available to the public concerning Vendor or its business or information concerning or obtained for or from any of the customers or suppliers of Vendor, including but not limited to any information related to trade secrets, know how, products, product development, methods, business, marketing or sales strategy, financial information or customer, supplier or employee lists or other information ("Confidential Information"). Reseller agrees that the terms of this Agreement and any discussed among Reseller and Vendor are and shall remain confidential and Reseller agrees that such terms shall not be disclosed by Reseller to any other person unless otherwise authorized by Vendor; provided, however, that Reseller may disclose the terms of this Agreement to their attorneys, accountants, or other professionals retained by Reseller for the purpose of rendering advice to Reseller so long as such persons are informed by Reseller as to the confidential nature of such information and are directed by Reseller to treat such information confidentially and to use it only in connection with their representation of Reseller.

4. VENDOR OBLIGATIONS

4.1 Vendor agrees to use its reasonable best efforts to supply Products to Reseller on a timely basis, pursuant to the terms and conditions of this Agreement. Vendor shall retain the right to reasonably allocate available Products to whichever reseller Vendor chooses.

4.2 Vendor agrees to use its reasonable best efforts, upon Reseller's request, to assist Reseller in developing advertising or promotional programs for the Products.

4.3 Vendor agrees to supply Reseller with such marketing and promotional materials relative to the Products as may be developed by Vendor in its sole discretion.

5. PRODUCT ADVERTISING

5.1 To encourage Resellers to invest the time and effort necessary to promote the Products to the best of its ability and to maintain the competitiveness and superior end user perception of the "SEM" brand name, the Products may not be advertised to end users at prices below those listed on Vendor's Confidential MAP List, which may be amended from time to time at Vendor's sole discretion. Reseller remains free to establish the actual selling price (as distinguished from advertised price) at which it sells the Products and Vendor will neither seek nor accept any agreement with respect to such selling price.

5.2 This Article 5 applies to all advertising of the Products in any media, including but not limited to newspapers, magazines, direct mailings, catalogs, flyers, television, radio, billboards, exterior store displays, the Internet or similar electronic media (including websites, web auctions and mass emails) and any other media for public display. For purposes of this Article, "advertising" is defined as any communication with customers related to the Products, except those either occurring at Reseller's place of business (i.e., displayed advertising or conversations with end-users) or in one-to-one telephone, mail or email communications initiated by an end-user.

6. TERMINATION

6.1 Vendor may terminate this Agreement, for cause, at any time upon 30 days prior written notice thereto to Reseller. Situations that entitle Vendor to terminate for cause shall include, but shall not be limited to, any of the following: (a) Reseller's breach of any provision of this Agreement; (b) any material change in the operating management of Reseller absent Vendor's prior written approval of such change; (c) sale, close-out, transfer or other disposition of Reseller's business, or an assignment or transfer of a substantial portion of the business assets or capital stock of Reseller's corporation; (d) Reseller's failure to pay any indebtedness to Vendor when the same becomes due; (e) assigns, transfers, encumbers or grants a security interest in any item in Reseller's stock in which Vendor has an interest absent Vendor's prior written consent, or attempts to do the same; (f) discovery of any material misrepresentation made by Reseller or its representatives as to the financial status or operations of Reseller; (g) any other acts or omissions on the part of Reseller which, as determined by Vendor in its sole discretion, may adversely affect the name, goodwill or reputation of Vendor or its products; or (h) a materially adverse change in the financial condition of Reseller.

6.2 This Agreement may be terminated by either party without cause and at any time upon 60 days prior written notice to the other party.

6.3 This Agreement shall terminate immediately upon written notice to Reseller, in the event that Reseller becomes insolvent, enters bankruptcy, abandons its business or is convicted for a violation of law tending in Vendor's opinion to adversely affect the business of Reseller or the name, goodwill or reputation of Vendor or its products.

6.4 Neither party shall be entitled to any compensation or reimbursement for its inability to recoup any investment made in connection with its performance under this Agreement, loss of prospective profits or anticipated sales or other losses occasioned by expiration or termination of this Agreement.

6.5 Upon expiration or termination of this Agreement, Reseller shall immediately cease any use of Vendor's trademarks, trade names, and logos and remove any reference to Vendor from its advertising and promotional material and shall immediately return any such advertising and promotional materials to Vendor that may have been supplied by Vendor or any Manufacturer.

7. WARRANTY, INDEMNIFICATION AND LIMITATIONS OF LIABILITY

7.1 Reseller is prohibited from offering any warranty, whether written or oral, on the Products other than the SEM Product Warranty set forth in the manual or other documentation accompanying a Product and such SEM Extended Warranties as may be listed on the SEM Price List currently in effect. Vendor hereby disclaims all other express or implied warranties and warranties of merchantability or fitness for a particular purpose. Reseller shall deliver to each prospective Product end user requesting the same, a copy of the Product Warranty applicable to the Product involved. Vendor shall keep Reseller supplied with a sufficient number of copies of the current versions of such warranties to enable Reseller to comply with this obligation.

7.2 In the event of any claim by an end user arising under the SEM Product Warranty or Extended Warranty, Reseller shall promptly notify Vendor of such claim. Vendor shall assume the defense of Reseller and indemnify Reseller against any judgment for monetary damages or rescission of contract, less any offset recovered by Reseller, in any lawsuit naming Reseller as a defendant relating to any Product that has not been altered when the lawsuit concerns a breach of the SEM Product Warranty related to the Product or bodily injury or property damage caused solely by a defect in the design, manufacture, or assembly of a Product by SEM (other than a defect that should have been detected by Reseller or the end user in a reasonable inspection of the Product). If Vendor reasonably concludes that allegations other than the foregoing are being pursued in the lawsuit, Vendor shall have the right to decline to accept the defense, to transfer the defense back to Reseller, or, after accepting the defense, to transfer the defense back to Reseller and withdraw its agreement to indemnify Reseller. This Article shall not affect any right either party may have to seek indemnification or contribution under any other contract or by law and such rights are hereby expressly preserved.

7.3 In no event shall Vendor be liable for any indirect, special, incidental or consequential damages arising out of, or in any way connected with this Agreement, the services performed, or any other matter related hereto, including, without limitation, lost business or lost profits whether foreseeable or not, even if the other party has been advised of the possibility of such damages.

9. MISCELLANEOUS.

9.1 This Agreement constitutes the entire agreement between Reseller and Vendor, superseding all prior oral or written agreements, policies, letters of supply, understandings, representations, warranties and negotiations, on the subject of the continuing relationship between

Reseller and Vendor; and there are no conditions or terms affecting this Agreement which are not expressed herein.

9.2 This Agreement may be renewed or amended only by a writing signed by duly authorized representatives of both parties hereto.

9.3 This Agreement and any purchase and sale transaction arising pursuant hereto shall be governed by and construed in accordance with the laws, without reference to principles of conflicts of laws, of the Commonwealth of Massachusetts. Reseller agrees that any lawsuit arising out of or relating to this Agreement shall be brought exclusively in a state or federal court located within the Commonwealth of Massachusetts. Reseller consents to the jurisdiction of such court and to service of process in any such lawsuit by mail at the address of Reseller specified herein. Reseller hereby waives any objection that it may now or hereafter have to the venue of any such lawsuit or any such court or that such lawsuit was brought in an inconvenient court.

9.4 Notification required or permitted hereby shall be deemed given upon enclosure thereof in an adequately postage-paid envelope, deposited in a U.S. mail box, and addressed to the party to be given notice at the address to which that party has previously requested by notice hereunder that notices be sent or, if no such request has been made, at the address listed for that party in this Agreement.

9.5 This Agreement may not be assigned by Reseller, whether voluntarily or by operation of law, without the prior written consent of Vendor. Reseller must provide Vendor with sixty (60) days prior written notice of any changes in ownership, control or management of Reseller's business. This Agreement, or any of Vendor's rights hereunder, may be assigned by Vendor upon written notice to Reseller.

9.6 This Agreement shall be binding upon the parties and their respective successors and assigns and shall inure to the benefit of the parties and their permitted assigns.

10. SALES TAX.

10.1 All federal, provincial, state and foreign sales and transfer taxes, sales and use taxes, goods and services taxes, value-added taxes, duties, fees, registration charges or other like charges (Sales Taxes) which are properly payable in connection with the purchase and sale of the equipment or services contemplated by this Agreement shall be borne by the Party responsible for such Sales Taxes under the Applicable Law. Each party shall cause to be filed as required by it under Applicable Law all tax returns and other documentation, at its own expense, with respect to such Sales Taxes. Valid sales tax exemption certificates must be supplied by Reseller. SEM has the right to refuse resale certificates at its discretion.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by its duly authorized representatives as of the Effective Date.

RESELLER:

By _____; Title _____

VENDOR :

Security Engineered Machinery Co., Inc.

By _____; Title _____

EXHIBIT B

FREIGHT, DELIVERY AND INSTALLATION POLICY TERMS AND CONDITIONS

Shipping and Handling:

Freight Costs.....

Products to be “drop shipped” to Government customers are shipped FOB “Dock” destination within the Continental USA (“CONUS”).

Products to be “drop shipped” to Commercial customers are shipped via “Shipping Point” within the Continental USA (“CONUS”), the reseller pays the freight for all commercial shipments.

Products shipped to Alaska and Hawaii are shipped FOB Destination to OCONUS point. Reseller is responsible for shipment from OCONUS point to Alaska and Hawaii.

Products shipped internationally are FOB Origin.

Inside Delivery and/or Lift Gate Trucking Services:

Products that require “inside delivery” and/or “Lift Gate” within CONUS will incur an added cost. Pricing for “Lift Gate” and/or “Inside Delivery” Services are listed on the SEM Reseller Price List.