

Distributor Inventory Control Policy

Biocomposites Inc. (“Biocomposites”) agrees to supply the Distributor with Consignment Inventory which will consist of sterile product and non-sterile demonstration product. This Consignment Inventory is supplied to the distributor solely to support the Distributor’s sales process. The Biocomposites Regional Manager will predetermine the initial amount of Consignment Inventory that shall be within the Distributor’s responsibility. Sterile product is not to be used for demonstration purposes. Non-sterile product is to be used for demonstration purposes only and not for surgical purposes.

The Consignment Inventory remains the property of Biocomposites until purchased. The Distributor holds sole responsibility and accountability for the Consignment Inventory.

The Distributor agrees to account to Biocomposites and its representatives the location, lot number and quantity of the Consignment Inventory upon the request of Biocomposites. Sterile product within the Consignment Inventory can only be left at a hospital once a Consignment Agreement has been put in place between Biocomposites and the hospital. The Distributor and Biocomposites Regional Manager can initiate the Consignment Agreement process with the Legal Counsel, US at Biocomposites.

The Delivered Order Form (“DOF”) is a form that allows Biocomposites to charge an account for product or for inventory movement or returns. The DOF should be submitted to Biocomposites within 48 hours of the product usage. It is the Distributor’s responsibility to make sure they follow the hospital protocol and approval process prior to any product being used at the hospital. Completed DOF’s should be promptly emailed to the Biocomposites Customer Service Department at usorders@biocomposites.com or faxed to 910-350-8072. If the Distributor wants used product to be replaced, they need to specify that and include a shipping address on the DOF. When product is to be returned to Biocomposites, the Distributor should obtain a Returned Goods Authorization number (“RGA”) from Biocomposites Customer Service. Distributors are responsible for paying for the return shipments and ensuring that the product is packaged properly. The Distributor should include documentation inside the returned package with the RGA number, details of where the return is coming from and the items in the package.

If the DOF is not used as described, Biocomposites reserves the right not to replenish the Distributor’s Consignment Inventory.

Biocomposites and the Distributor will conduct an inventory reconciliation at scheduled intervals. Biocomposites will supply the Distributor with a list of the current Consignment Inventory, including item number, lot number and quantity. The Distributor is required to provide the actual quantity on hand at the time of the inventory reconciliation. Any inventory that cannot be accounted for or has been used as free goods without being pre-approved will be charged to the Distributor at the current chargeback amount. If the Distributor fails to provide current inventory information, Biocomposites



reserves the right not to send more Consignment Inventory to the Distributor and to withhold commission payments until a complete inventory reconciliation is conducted.

Biocomposites will notify the Distributor on a monthly basis of all soon to expire inventory. The monthly report will include all inventories that expire within the next 12 months. The Distributor should use the oldest inventory first. The Distributor may return any inventory that is unopened and in sellable condition as long as it has at least 4 complete months remaining until expiry. Inventory that is not returned and expires will be charged back to the Distributor at the current chargeback amount.

The Distributor is responsible for turning the Consignment Inventory a minimum of 3 times per year. Biocomposites reserves the right to reduce or remove Consignment Inventory from a Distributor where the minimum amount of turns are not met or has placed no orders in a 3 month period.

All sterile products are shipped via a courier using a 3-day service. Biocomposites cannot be held responsible for delays in shipment. If the Distributor wishes to utilize a faster shipping method, they must provide Biocomposites a shipping account number to accommodate the shipping charges. Non-sterile product and literature are shipped by ground service.

The distributor is responsible for ensuring that a purchase order is issued for any product that is used from the Consignment Inventory. If a purchase order is not received within 60 days of use, then the product will be treated in the same manner as Consignment Inventory that cannot be accounted for as described above.

The products in the Consignment Inventory are deemed as biologics and therefore must be properly stored. The temperature at which the product must be stored is clearly marked on the product's label.

All boxes containing product that are sent to the Distributor are fit for purpose. Product boxes that are rendered not fit for purpose due to the fault of the Distributor, including expired product, damaged product, product with broken seals or open sterile packages will be charged back to the Distributor at the current chargeback amount.