

## Sample Consignment Agreement

This Consignment Agreement ("Agreement") made as of \_\_\_\_\_ (Date), by and between \_\_\_\_\_ ("Consignor") and \_\_\_\_\_ ("Consignee").

Whereas the Consignor wishes to sell certain products ("Products") on consignment and Consignee wishes to sell the Products on behalf of the Consignor;

Therefore in consideration of the premises, the covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties hereto agree as follows:

1. Sale by Consignment. The Consignee will, from time to time, place orders for the Products from the Consignor. The Consignor may, at its sole discretion, accept such orders and ship such Products on consignment to the Consignee, subject to and in accordance with the terms and conditions of this Agreement. The Consignee shall take delivery and make payment as required hereunder for all Products ordered by it, but nothing in this Agreement shall be deemed to obligate the Consignor to fill any or all of the Consignee's orders for Products.
2. Ownership of Products. Title to, and property and ownership in, all Products shall remain with the Consignor until such time as their removal may be directed in writing by the Consignor or until such time as they may be disposed of by bona fide sale by or to the Consignee or as may otherwise be hereinafter provided.
3. Payment for Products. The Consignor shall invoice the Consignee for all Products shipped to the Consignee pursuant to the terms of this Agreement. The Consignee shall, within thirty (30) days following the sale of any Product, pay to the Consignor the invoiced price of such Product plus applicable taxes. For the purposes of this Agreement, the Consignee shall be deemed to have sold a Product if such Product is (i) sold by the Consignee, (ii) removed, withdrawn, lost or stolen from the Consignee's stock on hand, (iii) damaged or destroyed, or (iv) otherwise not physically present in the Consignee's stock on hand. The Consignee shall not be obligated to pay the Consignor for any Product that is returned to the Consignor undamaged in its original packaging. All overdue amounts shall bear interest at the rate of twelve percent (12%) per year.
4. Books and Records. The Consignee will at all times maintain accurate books and records relating to the possession and sale of the Products and the proceeds thereof, and the Consignor may, upon request, examine the Consignee's records for any purpose consistent with the terms of this Agreement.
5. Risk of Loss. All risk of loss in the Products shall pass to the Consignee upon shipment of the Products to the Consignee. The Consignee shall insure the Products against all risks against which such goods are customarily insured and shall provide evidence of such insurance coverage to the Consignor upon request, from time to time.

6. Location of Products/Right to Inspect. Products will be kept at the address of the Consignee shown above, and the Consignee will not permit any Products to become kept or stored at any other location without the prior written consent of the Consignor. The Consignee shall, at all reasonable times, and from time to time, allow the Consignor and the Consignor's agents to enter upon any premises upon which the Products are located and examine or inspect the Products wherever located.
7. Removal of Products. The Consignor may, at any time, and for any reason whatsoever, take possession of and remove all or part of the Products with or without notice to the Consignee. The Consignee hereby gives the Consignor the right to enter upon any premises upon which the Products are located in order to enforce the Consignor's rights under this paragraph.
8. Condition of Products. The Consignee will keep the Products free from any lien, security interest or encumbrance adverse to the ownership interest of the Consignor, and shall maintain the Products in good condition and will not waste or destroy any of the Products or use the same in violation of any statute or ordinance.
9. Not Intended as Security. This Agreement and the sale of Products on consignment by the Consignor to the Consignee is not intended to be as security for any obligation of the Consignee to the Consignor.
10. Termination. This Agreement shall commence on the date upon which it is executed by both parties. Either party may terminate this Agreement at any time upon giving thirty (30) days prior written notice to the other; provided however, that such termination shall not affect any payment obligation owing by the Consignee to the Consignor. Upon termination of this Agreement, the Consignee shall pay to the Consignor, in addition to all other amounts owing to the Consignor, the invoiced price of all Products that are not returned to the Consignor undamaged in their original packaging.

11. Notices.

Any notice required by this Agreement or given in connection with it, shall be in writing and shall be given to the appropriate party by personal delivery or a recognized over night delivery service such as FedEx.

If to the Consignee: \_\_\_\_\_.

If to the Consignor: \_\_\_\_\_.

12. No Waiver.

The waiver or failure of either party to exercise in any respect any right provided in this agreement shall not be deemed a waiver of any other right or remedy to which the party may be entitled.

13. Entirety of Agreement.

The terms and conditions set forth herein constitute the entire agreement between the parties and supersede any communications or previous agreements with respect to the subject matter of this Agreement. There are no written or oral understandings directly or indirectly related to

this Agreement that are not set forth herein. No change can be made to this Agreement other than in writing and signed by both parties.

14. Governing Law.

This Agreement shall be construed and enforced according to the laws of the State of \_\_\_\_\_ and any dispute under this Agreement must be brought in this venue and no other.

15. Headings in this Agreement

The headings in this Agreement are for convenience only, confirm no rights or obligations in either party, and do not alter any terms of this Agreement.

16. Severability.

If any term of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, then this Agreement, including all of the remaining terms, will remain in full force and effect as if such invalid or unenforceable term had never been included.

In Witness whereof, the parties have executed this Agreement as of the date first written above.

\_\_\_\_\_  
Consignee

\_\_\_\_\_  
Consignor

\_\_\_\_\_  
Date

## Consignment Agreement - Review List

This review list is provided to inform you about the document in question and assist you in its preparation. Consignment agreements rarely work very well and the Consignor should work diligently to move the Consignee to being a paying customer. Deep discounts are much to be preferred to the consignment, "Try it, you'll like it," approach.

As a practical matter for the Consignor should review the relationship monthly to be sure the terms and conditions are being lived up to and see if a possibility to converting the Consignee to a customer. Remember, a consignment is not a sale and should not be accounted for in that manner according to GAP (Generally Accepted Accounting Principles). If you attempt to pledge a consignment sale to almost any financial institution as a Sale or Accounts Receivable, you will be in violation of the agreement and usually chargeable with fraud for that action. So be very careful how you account for any consignment transaction.

1. Print multiple copies with each party having one. Be sure to provide a copy to your outside financial institutions, if required by agreement with them. Keep a copy with the Consignee's file as well as in your minute book.