

PRICING:

The pricing in the quote is based upon the stated assumptions in the quote. Changes to the assumptions stated on the quote may warrant a re-quote. These changes include but are not limited to:

- Monthly quantities
- Quoted quantities to purchased quantities
- Changes in the price of components as quoted by component suppliers.
- AVL (Approved Vendor List) changes
- Engineering Change Orders (ECO's)
- Changes in material provided or exceptions, including customer supplied material
- Additional fees caused by tariffs or federal and state regulation changes.
- Material that incurs disposal fees.

PRICING EXCLUSIONS:

The following standard costs and services are specifically excluded from any proposal unless otherwise stated within the project specific proposal. However, in most cases, these services are available and may be quoted separately upon request.

- Taxes, duties and other domestic and foreign governmental fees
- Packaging and crating
- Transportation and shipment
- Installation of equipment at customer site
- Onsite training and/or support, including software
- Product enhancements after shipment
- Product Documentation

PAYMENT TERMS:

Applied Engineering will submit invoices to Customer upon shipment of Products. Each invoice will, at a minimum, reference the Customer purchase order number, part number, unit price and total price. Scheduled payment terms are net 0 (NO) days from the date of Applied Engineering's invoice to Customer, unless credit and bank references are furnished and approved prior to invoice. Customer agrees to notify Applied Engineering within ten (10) calendar days of any incorrect invoices received. On any correct invoice not paid by the due date, Customer shall pay finance charge at the rate of 1.5 % per month if payment exceeds \$5,000.

MATERIAL LIABILITY:

Customer acknowledges that Applied Engineering will order material in quantities sufficient to support Customer's purchase orders. In the event Customer's purchase order is rescheduled, cancelled, or ECOs are implemented and result in excess inventory, Customer acknowledges full material liability for all conditions listed below:

- Material was purchased to supplier minimum buy quantity or standard packaging quantity.
- Material is designated as Non-Cancelable and Non-Returnable by the component supplier (NC/NR).
- Material is Custom or Unique to Customer such that it cannot be used for any other Applied Engineering customer or returned to the supplier.
- Material was purchased to meet safety stock levels as approved by the Customer.
- Applied Engineering is unable to mitigate Customer's liability by returning material to component suppliers or use material for other Applied Engineering customers.
- Material restocking fees incurred.

CANCELLATION:

If Customer terminates the contract in part or in full, for any reason, Applied Engineering reserves the right to charge the Customer for the appropriate costs. Applied Engineering will pass on all material at cost plus a 20% handling fee and will include any restocking fees on material that can be returned. All labor charges to-date will be charged at our standard rate for engineering, technician and administrative labor, including the labor to close out the project. The total cancellation charges will not exceed the total amount of the contract.

DELIVERY TERMS:

The delivery of the product is F.O.B. Applied Engineering's shipping dock (net of sales and use taxes, if any), unless otherwise noted and agreed upon. Shipping can be arranged and invoiced after shipment of product.

EXCESS AND OBSOLESCENCE:

Excess and Obsolete (E&O) inventory is defined as inventory which is not forecasted to be consumed within the next ninety (90) calendar days, inventory which has had zero production usage during previous ninety (90) days, or as a result of an Engineering Change Order (ECO). In the case of E&O inventory, Customer will act in good faith to facilitate the disposition of excess inventory. On a periodic basis, Applied Engineering will submit an excess report to Customer. Upon Applied Engineering's request for excess resolution, Customer will place a PO to purchase excess inventory within ten (10) days.

SELL BACK MARK UP:

Excess material sold back to Customer will include a 20% mark up to cover Applied Engineering's cost of acquisition and carrying costs.

WARRANTY:

Applied Engineering warrants that the products have been manufactured in accordance with Customer's applicable specifications that Applied Engineering has accepted and will be free from defects in workmanship for a period of twelve (12) months from time of shipment. Defects in materials will be covered by their respective manufacturers' warranties. Any warranty by Applied Engineering against defects and any obligation by Applied Engineering to repair or replace product (or to refund the purchase price) does not apply to the followings:

- Defects resulting from Customer's specifications or the design of the products and/or the use of Customer-provided test equipment or test software.
- Any product that has been misused, damaged, or altered after shipment or that is damaged in shipping (other than delivered by Applied Engineering trucks). Misuse includes improperly handling static-sensitive electronic devices or an attempt by Customer or a third party to repair the product.
- Applied Engineering has no responsibility if Customer's specifications fail to comply with any governmental regulation or industrial specification or if the product manufactured to Customer's specifications fails to meet the requirements of their customers or the end user.
- Materials consigned, supplied by, or purchased at the direction of Customer.
- Assemblies that are not operated or maintained within the specification supplied with the assembly.
- Material that does not have a warranty due to customer directed modifications.

Applied Engineering's liability for offering the limited warranty for workmanship or defective materials will be limited to the cost of repairing or replacing the defective products. In cases where the assembly is located outside the San Francisco Bay Area, Applied Engineering has the option of having the assembly or component returned, prepaid freight, to Applied Engineering's facilities where repair or replacement may occur. If the services of Applied Engineering's personnel are required at the assembly's location, the equipment purchaser must pay for our time, door-to-door, at Applied Engineering's standard hourly rate, plus travel and per diem expenses at cost.