

Authorized Dealer Policies

These Policies are issued under and governed by the Authorized Dealer Agreement (the "Agreement") between Gale Banks engineering, Inc. ("Banks") and the Dealer (as defined in the Agreement). Each capitalized term not defined in this Policy will have the meaning shown in the Agreement. Banks reserves the right to sell to others no matter where they may be located in proximity to any other dealer and Banks sells at retail.

The basis of these Policies is to enable Banks to operate efficiently and make sure customers have convenient access to well-maintained facilities for the purchase and installation of Banks Power products.

Two pricing levels exist, depending on the annual purchases reviewed periodically. Level Two Authorized Dealers will be the entry level of qualification for buying at wholesale prices. Any qualified Authorized Dealers that achieve higher levels of sales and meet predetermined purchase minimums, as specified below, will qualify for the increased, Level One Authorized Dealer status.

Qualifications:

If you wish to purchase Banks Products as a dealer you must:

- **Complete and return the Dealer Information form, Authorized Dealer Agreement, and Minimum Resale Price Policy.**
- **Have an acceptable credit rating.**
The applicant must be financially solvent and likely to remain so.
- **Complete and return a Security Agreement (open account customers).**
- **Meet appearance standards/provide photographs.**
The exterior must be clearly signed, easily identifiable, and have a clean, professional appearance. There must be a clean, comfortable waiting area for customers. Send photographs of the facility as follows:
 - a) Facility frontage with address
 - b) Sales and showroom area
 - c) Customer waiting area
 - d) Shop/install area
 - e) Inventory area
- **Install all Banks products on the premises.**
Exceptions made only upon approval by Banks.
- **Have a reasonable labor rate for referrals.**
The applicant must submit hourly labor rate (for referral purposes).

Dealer Account Policy:

1. **Pricing.** All sales are to be FOB Banks dock. Dealer is responsible to pay for shipping (with the exception of the free shipping policy below and drop shipments). All orders are shipped directly to the dealer's location. The minimum amount for any order is \$50; otherwise a \$5.00 charge will be added. Any Authorized Dealer requesting drop shipment to individual customers will be assessed a separate additional charge of \$5.00 per box of product. Prices are based on the following requirements:
 - **Level Two: Most items are priced at 26% off suggested retail price (margins may vary);**
 - Maintain minimum annual net purchases of \$20,000 per year.
 - **Level One: Most items are priced at 35% off suggested retail price (margins may vary);**
 - Purchase \$10,000 of product per location,
 - Maintain minimum annual net purchases of \$100,000 per year.

Dealer must maintain annual purchases stated above to continue as a Banks dealer. The minimum purchase level is based on invoiced orders for the calendar year. Banks will periodically review each dealer's performance throughout the year and advise you of your progress.

2. **Terms of Payment.** Payment terms will be determined from time to time by Banks and may be changed at any time in the sole and absolute discretion of Banks. For Authorized Dealers who have been granted open account status, net payment must be received by Banks within 30 days following invoice date (Banks may send out subsequent statements following the original invoice, but any such statements shall not alter the obligation to pay within 30 days from the date set forth on the original invoice). ACH, wire transfer, and credit card payments are acceptable forms of payment. In the case of payment by credit card, Banks will charge a convenience fee of 1.5% of the payment amount.
3. **Credit Limit.** Banks may establish a credit limit in the amount that Banks determines from time to time, on a case by case basis. Banks reserves the right at any time, without notice, to reduce or revoke any credit extended to dealer for any reason in Banks' sole and absolute discretion.
4. **Delinquent Accounts.** In the event that any payment is not received when due, the dealer's account will be placed in delinquent status. If an account is placed in a delinquent status, Banks will not process or ship additional orders until the account is brought current. In addition, a late fee will accrue on the outstanding balance from the original due date until paid at the lesser of (i) 12% per annum (1% per month), or (ii) the highest amount permitted by applicable law. Banks reserves the right to change, suspend, or terminate any and all dealer privileges.
5. **Stop Ship.** Returned checks, refused shipments, and late payments will result in suspension and/or termination of net 30 and COD company check privileges and will initiate "stop ship" proceedings. The first time the dealer is placed on "stop ship" all past due invoices and those invoices coming due within one week must be paid. If placed on "stop ship" a second time, all outstanding and current invoices must be paid before additional product will be shipped. A third "stop ship" situation will result in the cessation of the business relationship.
6. **Default.** In the event that an outstanding balance due is not paid by the fifteenth (15th) day after the payment is due, the dealer's account will then be in default, and all amounts outstanding shall be immediately due and payable. In addition, the dealer shall be in default if it ceases to do business in the ordinary course, makes an assignment for the benefit of creditors, a receiver is appointed, or if a voluntary or

involuntary petition in bankruptcy is filed by or against it.

The exercise of any remedy by Banks shall not operate as a waiver of any other right or remedy of Banks.

7. **Banks Right to Modify.** All Policies are subject to modification by Banks on reasonable notice. Banks reserves the right to change, suspend, or terminate any or all Policies. Interpretation of these Policies is in the sole determination of Banks.

Customer Referral Policy:

Banks receives inquiries from consumers for the location of dealers and cost of installation. If you wish to be included as a referral:

1. Authorized Dealers must send at least one representative from each location for training in order to receive referrals. A trained individual must be in your employ thereafter.
2. You must not charge a greater installation time than Banks charges for like installs.
(See current price sheet for install hours.)
3. Your labor rate must be normal and customary for your area and in any event reasonable.
(We will check with others in the same area to determine “normal and customary” labor charges.)
4. In order to maintain the goodwill of consumers who purchase Banks products, if the Authorized Dealer later refuses to do an installation at the reported labor rate and Banks installation time, or adds extra charges or hidden charges, Banks will remove the Authorized Dealer from the list of referral locations.
5. Banks will send referrals only to Authorized Dealers who comply with these terms.

Return of Product Policy:

Banks requires prior authorization for the return of products. Generally, returns are not accepted except for good cause as determined in the sole discretion of Banks (except for the tri-annual stock adjustments see paragraph 3 “Stock Adjustments” section below). To assure proper credit for an approved return, the following return procedure must be followed:

1. Call the Customer Service department (888-839-5600) and request a Return Materials Authorization (RMA) number. The Customer Service representative will ask a series of questions before issuing the RMA number.
2. Upon approval of the situation, a RMA number will be issued.
3. At the time the RMA number is issued, an offsetting order must be placed. A previously placed order does not qualify as an offsetting order. Your offsetting order must be equal to, or greater than, the amount of the return before the restocking fee is reduced.
4. Products may not be returned before a RMA number is issued. The RMA number must appear on the outside of all shipping containers. Any returns arriving without a RMA number on the outside of each container will be returned at the dealer’s expense.
5. Once the product has been returned to Banks and its condition verified, Customer Service will issue approval for credit. In the event that there are missing boxes (for multi box products) or any damaged or missing parts, manuals, and or components the return will be rejected and returned to

the customer.

6. Credit will be issued in the same manner that the purchases were made (i.e., credited to the dealer's net 30-day account, or paid by check if the dealer has a COD account and Banks has already received payment for the shipment involved).
7. Banks reserves the right to charge a restocking fee of fifteen (15) percent on all unopened, factory sealed boxes when the reason for the return is not related to Banks error and a restocking fee of twenty (20) percent on all opened boxes. Please note, there is a reduced fee during the tri-annual Stock Adjustment period. This fee pays Banks's cost for processing the paperwork, putting the merchandise into inventory, and re-boxing the merchandise. Dealers may wish to charge customers a non-refundable deposit on items that must be ordered; this may discourage order cancellations.
8. All materials must be returned freight prepaid and insured to Banks in Azusa, California.
9. Product that is damaged in route to Banks due to lack of proper packaging will be the responsibility of the dealer and credit will not be issued. Product that is damaged in route back to Banks due to carelessness of the shipping company will be handled as a claim through that carrier. Credit will be issued upon receipt of the carrier's check.
10. In a warranty situation, Banks requires a copy of the original bill of sale (invoice) for the Banks product. The copy must show the purchaser's name, the date of the sale, the name of the shop where the system was purchased, the relevant part number(s) and the price of the system purchased. (No offsetting order will be required.)

Damage Claims Policy:

All shipments of Banks products are FOB our dock Azusa, California. Shipping damage is, therefore, the carrier's responsibility. If damaged packages are delivered by United Parcel Service (UPS) or another common carrier, the following Damaged Materials Return Procedure must be followed:

1. Do not discard the container in which the damaged materials arrived.
2. Contact Banks Customer Service department to start the process on a damage claim.
3. The carrier will determine the claim's validity. The carrier will issue the shipper (Banks) a claim number and issue Banks payment. The dealer's account will be credited upon receipt of the carrier's check.

Stock Adjustment Policy:

Banks allows inventory stock adjustments three (3) times per year in January, May, and September. The following stock adjustment procedure must be followed to receive credit for returned items:

1. To avoid unnecessary processing of invalid returns, Banks must approve returns before a Return Materials Authorization (RMA) number is issued.
2. Send to Banks, "Attn.: Customer Service or Wholesale Manager" a list of items, along with copies of the original invoice(s) on which they were purchased, showing the invoice date.

3. Once the list is verified a Banks representative will issue an RMA number.
4. At the time the RMA number is issued, an offsetting order must be placed. A previously placed order does not qualify as an offsetting order. Your offsetting order must be equal to, or greater than, the amount of the return before the restocking fee is reduced.
5. To qualify for this adjustment, the following terms and conditions must be met:
6. Inventory returned to Banks for stock adjustment purposes must have been purchased within the four month period immediately preceding the month in which the stock adjustment is sought [September 1– December 31 of the previous year for the January adjustment; January 1- April 30 for the May adjustment, and May 1 – August 30 for the September adjustment]; and must be accompanied by a copy of the original Banks invoice(s). Materials returned must be standard items appearing on current Banks price lists. Sixty (60) days advanced notice will be given, in writing by Banks, prior to removing items from the price list. Returns of these items must occur within this sixty (60) day notice period for credit to be issued. This period may, or may not, coincide with the normal tri-annual adjustment period.
7. Service parts, replacement parts, and loose parts are non-returnable (i.e. gaskets, air filters, hoses, loose pipes, etc.).
8. Items to be returned for stock adjustment must have been originally shipped to you directly from Banks.
9. Items must be factory sealed, in new resalable condition. Banks will inspect and make the final approval. Rejected merchandise will be returned freight collect. All materials sent to Banks that do not have a RMA number appearing on the shipping containers will be returned freight collect. Upon confirmation that returned materials are complete and in new/resalable condition, approval for credit will be issued.
10. A restocking fee of ten (10) percent will be levied on all unopened, factory sealed boxes, and a fifteen (15) percent restocking fee will be levied on all opened boxes
11. The total value of the dealer stock adjustment can equal, but not exceed, five (5) percent of the prior 4 months' purchases as defined above, not including the restocking charge. Credit will be based upon the lowest price paid for that item during the dealer's history with Banks. EXAMPLE:

Prior four (4) months purchases (January 1-April 30th for the May Adjustment) equals \$50,000.00. Multiple by the five (5) percent maximum return limit for a allowable return limit of \$2,500.00.
12. All materials must be returned freight prepaid and insured to Azusa, California.

Discontinuation of Sales Policy:

Banks may stop selling to a dealer at any time, with or without cause. The following are some of the circumstances that are cause for Banks to discontinue selling to a dealer:

1. The use of Banks goodwill with no intention to sell Banks products, rather to entice customers to buy other competitive products.

2. Substituting any non-Banks components in Banks power and braking systems. Banks systems are engineered to use Banks components. Banks components are not engineered for use with non-Banks components; therefore, in order to maintain the goodwill of Banks products, Banks components may not be used in the assembly of alternative kits. Only Banks approved systems may be represented as Banks kits.
3. Failure to participate in periodic Banks training sessions.
4. Making any Internet marketing of Banks products or any Internet representation that incorporates the Banks name, logo, registered trademarks or copyrighted materials, or that incorporates Banks product images or internet selling of Banks products without the express written consent of Banks. Banks has a vital concern for insuring that any information on the internet regarding Banks products is current and that Banks maintains an effective network of trained, installing locations.
5. Charging more than dealer's reported labor rate, charging more time than the Banks time for a like install, or adding extra or hidden charges to an installation.
6. Misuse of referrals, such that Banks supplies dealer with a referral, and dealer intentionally uses referral to sell a competitive product.
7. Making any use that incorporates the Banks name, trademarks, logo, or any of Banks's copyrighted materials without the express written approval of Banks.
8. Failure to maintain dealer requirements or failure to purchase at a rate that is likely to meet the annual minimum purchase requirement.