

1. Scope; Exclusive Terms; Conditional Acceptance

These Terms govern all quotations, proposals, order acknowledgments, invoices, sales, and deliveries by Encoder Products Company ("EPC"). EPC's acceptance of any order is expressly conditioned on Buyer's assent to these Terms only. Any additional or different terms in any Buyer purchase order, portal, or click-through are rejected and have no effect unless a separate agreement is signed by an authorized EPC officer.

2. Offer, Order, and Acceptance

Quotations are valid for the stated period (or 30 days if none). No order is binding unless EPC issues a written order acknowledgment. EPC's performance does not constitute acceptance of Buyer's terms.

3. Pricing; Taxes; Payment; Late-Payment Remedies

Prices are as set forth in EPC's quotation or order acknowledgment, exclusive of taxes, duties, freight, and handling. Payment is due as set forth in EPC's quotation or order acknowledgment. Any amount not paid when due shall bear interest at the lesser of 1.5% per month or the maximum rate permitted by applicable law, accruing from the due date until paid in full. If any undisputed amount remains unpaid for more than 30 days past due, EPC may, upon 10 days' written notice, suspend further performance (including shipments) until all outstanding amounts are paid in full, without liability for any resulting delay. Buyer shall reimburse EPC for all reasonable costs of collection, including attorneys' fees, incurred in collecting undisputed overdue amounts.

4. Delivery; Risk of Loss; Incoterms

Delivery dates are estimates only. Risk of loss transfers per Incoterms® 2020 [FCA EPC Facility] unless otherwise stated by EPC in writing. Partial shipments may be made and invoiced separately.

5. Inspection; Acceptance; Nonconforming Goods

Buyer must inspect within 10 days of delivery and notify EPC of any nonconformity with reasonable detail. Absent timely notice, goods are deemed accepted and Buyer waives all claims for patent or discoverable defects not reported within the inspection period. Claims for latent defects not discoverable upon reasonable inspection shall be governed solely by the warranty provisions of Section 13. EPC will, at its option, repair, replace, or credit nonconforming goods returned under RMA—this is Buyer's exclusive remedy.

6. Changes

No change to specifications, quantities, delivery schedule, or scope is binding unless confirmed by an EPC change order. Approved changes may adjust price, lead time, and other terms.

7. Cancellations; Reschedules

Buyer may not cancel for convenience without EPC's written consent. If consented, Buyer shall pay for work performed, materials committed, reasonable overhead, and a fair profit. Reschedules are subject to EPC capacity and may incur fees.

8. Title; Security Interest

Title transfers to Buyer only upon EPC's receipt of full payment. Until paid in full, EPC retains a purchase money security interest in the goods and proceeds; Buyer authorizes EPC to file financing statements.

9. Buyer-Furnished Materials & Tooling

Buyer-furnished items are held as a bailment at Buyer's risk. EPC-owned tooling and fixtures remain EPC property even if costs are amortized or separately invoiced.

10. Intellectual Property

EPC retains all background IP and work product (including drawings, CAD, software, firmware, and documentation). Upon full payment, Buyer receives a non-exclusive, non-transferable, royalty-free license to use deliverables solely as integrated in purchased products. No source code or native design files are provided unless expressly agreed. Buyer shall not reverse engineer, decompile, disassemble, or otherwise attempt to derive the source code, algorithms, or underlying structure of any EPC product, software, or firmware. Custom development performed by EPC does not transfer ownership of any intellectual property to Buyer absent a separate written assignment executed by an authorized EPC officer.

11. Confidentiality

Each party will protect the other's confidential information with reasonable care and use it only to perform the order. Obligations survive for 5 years (and indefinitely for trade secrets).

12. Compliance

Buyer will comply with applicable laws, including export controls, sanctions, anti-bribery, and environmental regulations, and will not export or re-export products contrary to law. Buyer is solely responsible for determining the end use and end user(s) of the products and for obtaining, at its own expense, any export, re-export, or transfer licenses, classifications, or other authorizations required in connection with Buyer's resale, distribution, or integration of the products.

13. Warranties

Goods materially conform to EPC specifications and are free from material defects in materials and workmanship for the warranty period and under the terms set forth in EPC's warranty policy (current revision posted at www.encoder.com/warranty-returns). The warranty applicable to any shipment shall be the version in effect as of the date of shipment. Services will be performed in a professional manner. Exclusions include misuse, improper installation, alteration, third-party components, and failure to follow EPC instructions. EPC will repair, replace, or credit at its option.

14. Disclaimer

EXCEPT AS EXPRESSLY PROVIDED, EPC DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT.

15. Limitation of Liability

TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EPC'S TOTAL AGGREGATE LIABILITY FOR ALL CLAIMS ARISING OUT OF OR RELATING TO ANY ORDER OR THESE TERMS, REGARDLESS OF THE THEORY OF LIABILITY (WHETHER CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, INDEMNITY, OR OTHERWISE), SHALL NOT EXCEED THE AMOUNTS ACTUALLY PAID BY BUYER TO EPC FOR THE SPECIFIC GOODS OR SERVICES GIVING RISE TO THE CLAIM DURING THE 12 MONTHS PRECEDING THE CLAIM. EPC SHALL NOT BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL, COVER, OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION LOST PROFITS, BUSINESS INTERRUPTION, LOSS OF GOODWILL, RECALL COSTS, FIELD SERVICE COSTS, OR RETROFIT COSTS, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

16. Indemnification by Buyer

Buyer will defend, indemnify, and hold EPC harmless from all claims, damages, losses, and expenses (including reasonable attorneys' fees) arising out of or relating to: (a) Buyer's misuse, modification, or combination of EPC products with other items; (b) Buyer's products or systems incorporating EPC products; (c) improper installation, maintenance, or operation by Buyer or its agents; (d) Buyer's representations or warranties to its customers regarding EPC products; (e) compliance with Buyer specifications; (f) Buyer's breach of applicable law (including export-control or regulatory violations) or these Terms.

17. Force Majeure

EPC is not liable for delays or failures due to causes beyond its reasonable control, including shortages, labor issues, transportation disruptions, cyber events, acts of God, or government actions. During any period of shortage or reduced capacity arising from a force majeure event, EPC may allocate production and inventory among its customers in a commercially reasonable manner without liability. Following resolution of a force majeure event, delivery schedules shall be equitably extended by a period corresponding to the duration of the delay.

18. Returns

No returns without prior written RMA. Non-warranty returns may incur restocking charges. Items must be in original or equivalent packaging.

19. Publicity; Trademarks

Buyer shall not use EPC names or marks, or issue press releases, without EPC's prior written consent.

20. Data & Privacy

If Buyer provides personal data, Buyer represents it has a lawful basis and necessary notices. Additional data protection terms will be executed if legally required.

21. Assignment; Subcontracting

Buyer may not assign any order or rights without EPC's written consent. EPC may subcontract elements of performance but remains responsible for deliverables.

22. Notices; Electronic Transactions

Notices must be in writing and delivered to the addresses on the order acknowledgment (email acceptable with confirmed receipt). The parties agree to e-signatures.

23. Governing Law; Venue

These Terms are governed by the laws of the State of Idaho, excluding conflict rules and the U.N. CISG. Courts located in Bonner County, Idaho have exclusive jurisdiction; the parties waive jury trial. In any action arising out of or relating to these Terms or any transaction between the parties, the prevailing party shall be entitled to recover its reasonable attorneys' fees, costs, and expenses.

24. Entire Agreement; Order of Precedence

These Terms, together with EPC's quotation and acknowledgment, constitute the entire agreement and supersede prior communications. Buyer's PO terms, portal terms, and click-throughs are expressly rejected unless a separate signed agreement states otherwise.

25. No Setoff

Buyer shall not withhold, offset, recoup, or deduct any amount owed to EPC against any claim, credit, or amount Buyer asserts is owed by EPC under any other order, agreement, or transaction, unless EPC has agreed in writing to such offset.

26. Limitation Period

Any claim arising out of or relating to these Terms or any order must be commenced within one (1) year after the cause of action accrues, regardless of the nature of the claim or the theory of liability. Failure to commence an action within this period constitutes a waiver of the claim.

27. Supply-Chain Disruptions; Component Substitutions

EPC may, without prior notice, substitute components or materials with functionally equivalent alternatives that meet or exceed published specifications where original components are unavailable due to industry-wide shortages, supplier discontinuation, or similar supply-chain disruptions. Such substitutions shall not constitute a nonconformity or breach of warranty.

28. Commercial Terms; No Government, Defense, or Aerospace Flow-Downs.

(a) EPC's products and services are standard commercial products and commercial services, offered and sold solely under these Terms. Unless EPC has expressly agreed otherwise in a separate writing signed by an authorized EPC representative, EPC sells on a commercial basis only and is not a party to, and does not accept, assume, or agree to be bound by, any provision of any prime contract, subcontract, purchase order, supplier portal, quality clause, or other document that would impose on EPC: (i) Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulation Supplement (DFARS), or other agency-supplement flow-down clauses; (ii) defense industry or government cybersecurity obligations, including the Cybersecurity Maturity Model Certification (CMMC) program, NIST SP 800-171, or DFARS 252.204-7012 or 252.204-7021; (iii) registration, certification, audit, or reporting obligations under any government or defense program; or (iv) any representation, certification, or compliance obligation arising from a Buyer's government, defense, or aerospace contract. Any such terms referenced or incorporated in a Buyer order are rejected pursuant to Sections 1, 24, and 28.

(b) Buyer is solely responsible for determining whether EPC's commercial products are suitable for, and for satisfying any flow-down, classification, marking, security, or compliance requirements applicable to, any government, defense, aerospace, classified, or otherwise restricted program into which Buyer incorporates or resells those products. Buyer shall notify EPC in writing before placing any order that involves controlled unclassified information (CUI), classified information, ITAR-controlled technical data, or performance under a government or defense contract requiring obligations beyond these Terms, so that the parties may determine whether a separate written agreement is required.

(c) Nothing in this Section relieves either party of its independent obligations under applicable export control, sanctions, anti-corruption, or other laws as set forth in Section 12. This Section addresses only the parties' contractual allocation of government-contract and defense-program obligations and does not waive, limit, or modify any duty imposed directly by law.