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Return Policy and Procedure

Policy: Return of Defective Merchandise: The Company will accept returns of defective merchandise within the stated warranty period with an authorized RMA number and form.

Return of New and Uninstalled Standard Merchandise: New and uninstalled standard merchandise may also be returned within 30 days of shipment with authorized RMA number and a 15% restocking charge.

Custom Orders: Custom ordered merchandise (model numbers not on standard price list) are not returnable.

Exceptions: There may be exceptions to the above return policies if the Company enters into a specific agreement with a customer. This exception needs to be approved by the VP of Sales and Marketing or, if he is not available, the CFO or CEO.

Purpose: Establish procedures for accurate and timely processing and record keeping of customer returns.

Scope: Applies to all employees of the company

Procedure:

1.0 CUSTOMER REQUESTS TO RETURN MERCHANDISE

1.1 Customer must obtain from Power Efficiency a Return Material Authorization number (RMA) from Power Efficiency for any returned goods.

1.2 The Sales Person or Sales Engineer handling the customer's account or return will prepare an RMA form (Appendix D), provide the customer with the RMA number, and will retain the RMA form in the Company's records for that customer. The document will include the same information as on a new PO, the reason for the return, and the signature of the person authorizing a return.

1.3 An RMA number will be assigned using the following convention: MMDDYY-"initials"-NN signifying the month, day, year, the initials of the PEC employee giving approval for the return, and number of the RMA approved that day by the PEC employee giving the approval. (Example: RMA # 022506-MV-01 = A return approved on February 25, 2006 by Mike Varney, and it was the first RMA approved by Mike that day).

1.4 Any exceptions to the return policies above must be approved by the VP of Sales and Marketing or, if he is not available, the CFO or CEO.

1.5 When the Office Manager receives confirmation that a return of New and Uninstalled Standard Merchandise has been received, the Office Manager will credit the customer's account for the amount of the sale, minus the 15% restocking fee.

1.6 The PEC employee completing the RMA must inform the Manufacturing

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Manager and provide him with a copy of the RMA, and inform him whether a new unit needs to be sent to the customer as a replacement for a defective product.

1.7 THE PEC EMPLOYEE COMPLETING THE RMA MUST NOTIFY ACCOUNTING OF ALL SALES RETURNS. THIS IS ESSENTIAL FOR THE COMPANY'S PROPER RECOGNITION OF REVENUE.