

PQ32023



**PRICE QUOTE for Testing Services to
FMVSS 122
Motorcycle Brake Systems**

Prepared for

**Zap Jonway
501 Fourth Street
Santa Rosa, CA 95401**

BY

KARCO Engineering, LLC
AUTOMOTIVE RESEARCH CENTER
9270 Holly Road
Adelanto, CA 92301

January 3, 2012

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PROPOSED AGREEMENT

KARCO Engineering, LLC (“KARCO”) is pleased to offer this proposal to **Zap Jonway (“CLIENT”)**, to provide certification testing and reporting services for conformance with FMVSS 122 – ‘Motorcycle Brake Systems’. Whereas, CLIENT desires to have KARCO perform the certification and evaluation testing of one (1) three-wheeled vehicle, based on FMVSS 122, and KARCO is willing to perform the testing and furnish certain services specified hereinafter under certain terms and conditions. Now therefore, in consideration of the foregoing and of the mutual agreements set forth herein, CLIENT and KARCO agree as follows:

Article I (Scope of Work)

KARCO shall undertake the certification and evaluation testing of the vehicle in accordance with FMVSS 122 using current test methods and laboratory procedures described in the standard. Testing will include all aspects of FMVSS 122. Tests are performed and values reported without regard for measurement uncertainty. The details of the test items, including costs, are specified in ATTACHMENT 1.

Article II (Division of Responsibilities)

Section 1: CLIENT’s responsibilities

- (1) To provide test vehicles at CLIENT’s expense
- (2) To arrange and notify shipment of test vehicles and components
- (3) To provide information that is applicable and generally assists in carrying out the tests, including manuals and specifications.
- (4) To determine how to dispose of tested vehicle following completion of testing.
- (5) To provide replacement parts on an as-needed basis to assist in carrying out the tests. Tire and brake wear will occur during the course of testing and should be expected. These parts may need to be replaced throughout the course of the testing program.
- (6) To provide monetary compensation for costs incurred in performing tests, as specified in this agreement.

Section 2: KARCO’s responsibilities

- (1) To perform all testing specified in Article I and Attachment 1
- (2) Assume overall responsibilities of carrying out tests using appropriate methods and procedures.

Article III (Reports)

All tests performed in accordance with this agreement shall be documented by KARCO and submitted on a DVD or CD to CLIENT within one (1) month of test completion. For expedited test reports (that is a request for delivery in less than the specified 30 days) a payment of US \$1,500.00 prior to the delivery of test data is required.

Article IV (Compensation)

Based on the testing outlined in Article I and in consideration of this agreement for testing services only, fees and services shall be as outlined in Attachment 1. **Prior to conducting any tests, CLIENT shall pay to KARCO all anticipated test costs at least 1 week prior to the scheduled test date. There will be no exceptions to this policy.** Billing for any optional expenses will be made prior to delivery of test reports. Invoices shall be itemized identifying the expense item by type and amount. Payment will be made net within fifteen (15) days after receipt of the invoice. For payments not received within fifteen (15) days of receipt of final invoice, CLIENT shall pay to KARCO ten percent (10%) of the unpaid balance with an additional ten percent (10%) for each thirty-day period thereafter. No reports will be issued until all fees are paid in full. **All data resulting from these tests is the sole property of KARCO Engineering, LLC and shall remain the property of KARCO until such time as KARCO has received full compensation for all billable test services. Prior to payment for services rendered no data shall be used or disseminated by other parties. Upon final payment all data becomes the sole property of CLIENT or other parties assigned by CLIENT to have legal rights to said data.**

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Article V (Confidentiality)

Neither party shall disclose or divulge to any third party confidential information of the other party which has come to its knowledge in connection with the performance of this Agreement without written permission of the party whose information is to be disclosed. All aspects of this project shall be treated in a confidential manner by KARCO and its personnel. It is agreed between the parties that in the event of a breach of the confidential and proprietary provisions of this contract the direct and proximate damages, including secondary or consequential damages of any kind, are compensable in any action relating to same.

Article VI (Notices)

Any and all notices shall be given to the following addresses by airmail or email:

If to
CLIENT: Joe Rajakaruna
Zap Jonway
501 Fourth Street
Santa Rosa, CA 95401
Telephone: (707) 526-6444, x103
Facsimile:
Email: jrajakaruna@zapworld.com

If to
KARCO: Michael Dunlap
KARCO Engineering, LLC
9270 Holly Road
Adelanto, CA 92301
Telephone: (760) 246-1672
Facsimile: (760) 246-8112
E-mail: mdunlap@karco.com

Article VII (Force Majeure)

In the event of such force majeure, events that are deemed to be inevitable and unexpected, such as an act of God, war, warlike conditions, hostile, mobilization, embargo, revolution and plague, which prevent either party from fulfilling its obligation under this Agreement, such party shall approve the other party's revised schedule by a period corresponding to the excusable delayed period.

Article VIII (Arbitration)

This Agreement shall be governed by and construed in accordance with the laws of the State of **California**.

Article IX (Disclosure of No Conflicts of Interest)

The principals and staff of KARCO Engineering have no past or present financial, contractual or organizational interest in any company or entity directly or indirectly related to the U.S. Department of Transportation, government agencies, insurance companies, automobile or equipment manufacturers. As an independent laboratory it is important to maintain impartial and unbiased objectivity in the performance of all data collection and analysis activities. Integrity is the premise on which KARCO Engineering was established. If a conflict of interest should arise, with respect to this project, KARCO will provide, in writing, a full and immediate disclosure to the client. The disclosure shall include a description of the conflict and action taken by the company to correct or mitigate such conflict.

Article X (Product Warranty)

Section 1: Suitability

KARCO does not make any warranties, expressed or implied, to CLIENT as to the conditions, safety, and suitability of said services nor does KARCO make any guarantee or representation with regard to CLIENT's test objectives or data sought by use of KARCO's services. It is agreed by CLIENT and KARCO that in contracting for aforementioned services, CLIENT is relying solely upon CLIENT's examination and judgment with regard to all of the above matters. CLIENT hereby releases KARCO from any responsibility or liability of any kind or nature regarding CLIENT's activity in relationship to KARCO.

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Section 2: Property Damage

CLIENT is financially responsible for any damage to KARCO's facility or equipment resulting from testing services rendered under this agreement. Responsibility includes repair or replacement of damaged equipment.

This agreement shall remain in effect until June 30, 2011

ATTACHMENT #1 - TEST ITEMS AND COSTS

Test Items

| | |
|--|----------------|
| FMVSS 122 Test Cost (For vehicles with a top speed less than 100 mph) | \$6,600 |
| Total Price | \$6,600 |

Payment Terms

| | |
|---|----------------|
| Full balance due 1 week before scheduled test date | \$6,600 |
|---|----------------|

Optional Items

| | |
|---|------------------------|
| Expedited Test Report | \$1,500 |
| Test Vehicle Storage (to begin 30 days after testing is complete) | \$75 / month / vehicle |

Deposition, Travel, and Inspection Rates

| |
|---|
| Client is responsible for all travel charges and all rates are calculated based on point to point travel President: \$300/hour, Director: \$250/hour, Engineers: \$200/hour, Supervisors: \$125/hour, Technicians: \$75/hour Site Inspection: \$1500/day, Records submission: \$75/hour |
|---|

** If KARCO personnel are required for any consultation, deposition, or court appearances*

ATTACHMENT #2 - TEST SCHEDULE

Scheduling is based on a first come first served basis. Normal testing requires approximately three weeks for completion for each vehicle. This includes performing all vehicle preparation, testing and data collection. All key personnel have prior experience with FMVSS 122 testing, thus providing the basis for expediency in task performance.

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Mr.Rajakaruna,

This quote is in contract form and is for your review. Please keep in mind that scheduling is tight and can be confirmed only for open dates with the most allowable lead-time. If there are any questions or comments please contact us as soon as possible. Please indicate acceptance of this price quotation by signing the bottom portion of this letter, initialing each page, and faxing the quotation back to KARCO Engineering, LLC. in its entirety. Thank you for your interest in doing business with KARCO.

TESTING & EVALUATION SERVICES AGREEMENT

- 1. KARCO will not proceed with this test program without a signed acceptance. Acceptance must be signed by the person or persons with financial responsibility for all services. No firm scheduling will be entered into until all up-front payments have been received.**
- 2. All work will be billed at KARCO’s prevailing rates, which are outlined in ATTACHMENT 1.
- 3. CLIENT agrees that in the event that it shall become necessary to file any action to enforce any of the terms of this Agreement, CLIENT shall pay all costs and reasonable attorney fees. The work outlined in this agreement is to be performed at KARCO’s principal place of business in Adelanto, California.
- 4. All unpaid charges are immediately due and payable upon receipt of KARCO's invoice(s) unless other arrangements have been agreed to, in writing.
- 5. KARCO has been retained to render testing services only and assumes no liability, expressed or implied, for any consequences of the findings of those services.

PRICE QUOTATION ACCEPTED

Signature: _____

Print Name / Title: _____

Date: _____