

The *Solar* Overhaul Exchange Program exchanges major turbine engine components instead of waiting while the customer's existing equipment is overhauled, which minimizes operational downtime. The exchange equipment is assembled from a pool of new and remanufactured components that provide identical form, fit, and function, and includes all applicable technological updates that improve engine durability and reliability.

A major overhaul restores mechanical integrity, performance, and the required time between overhauls (TBO) to the same levels as a newly purchased engine. The overhaul process is divided into four phases:

- Core Disassembly
- Remanufacture
- Assembly
- Test

Each phase of the overhaul process contributes to providing an engine that meets the same quality and performance standards as a new engine. Components that can complete another full duty cycle before the next overhaul are restored to original tolerances, which provide reliability at a reduced cost.

Solar's Major Overhaul process automatically updates the entire engine with the most recent improvements that increase the reliability, durability, efficiency, and maintainability of the engine, all of which extend the next duty cycle to its maximum length.

Every overhauled engine is given a rigorous full-load dynamometer test in a *Solar* production-calibrated test cell to make sure that each engine meets its design specifications.

A Major Overhaul upgrades the aerodynamic, thermal, and mechanical internal configurations of the engine to the most recent designs. Material handling and work processes are consistent with and are certified to ISO-9002 and MRPII Class A practices.

Solar Turbines Stands behind its overhauled engines with a same as new, full 12-month warranty that protects against unlikely defects in workmanship and materials.

Installation and Recommissioning Services are highly recommended to minimize the package downtime. Teams with specialized skills and tooling are available from Solar's Field Service Division to efficiently and quickly install the noted scope of supply. Well-qualified Field Service Representatives are also available for the recommissioning of the turbomachinery package after the installation of the upgrades.

CUSTOMER SERVICES PROPOSAL

Submitted to:

City of Fort Worth

for

Gas Turbine Engine Overhaul

Under Exchange Program

Waste Water Treatment

Arlington, TX

Solar Turbines Inquiry Number HO13-01517 Rev 1

5/29/2013

Submitted by:

Nike Dupuis

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1.0 INTRODUCTION

Solar Turbines Incorporated has prepared the following proposal in response to your requirements. This proposal, as applied to the packages listed below, has been established using specific knowledge provided by the Customer Services Account Manager and information stored in our Customer Services Database.

PACKAGE SERIAL NUMBER (PSN)	ENGINE SERIAL NUMBER (ESN)	PACKAGE MODEL	DRIVEN EQUIPMENT	CUSTOMER TAG NUMBER (TAG)
TG00N31	OHK07-T0213	Taurus 60	Generator Set	Unit #2

1.1 PROPOSAL CONTENT

The remainder of this Introduction discusses Solar's industry experience and the project benefits associated with the turbomachinery renewal and upgrades presented in this proposal.

Following this Introduction, there are commercial, technical, and Terms and Conditions sections. The commercial section contains delivery, pricing, and installation and recommissioning services information. The technical section discusses Solar Turbines scope of supply, the customer scope of supply, and the roles and responsibilities associated with installation and recommissioning of all parties involved. The last section states the Terms and Conditions.

Solar considers the information included in this proposal to be confidential. As such, this proposal is submitted subject to the terms and conditions regarding "CONFIDENTIALITY". None of the information included in this proposal should be disclosed to any consultant employed by our competitors, unless they agree to be bound by the CONFIDENTIALITY agreement. Under no circumstances should any confidential information included in this proposal leave City of Fort Worth offices.

1.2 EXPERIENCE

Solar Turbines has been in the business of designing, manufacturing, and commissioning turbomachinery and compressor equipment since 1948. *Solar* specializes in designing, manufacturing, and providing aftermarket products and services to its turbomachinery customer around the globe. As a result, our priority is to ensure that our customers receive the highest quality products and services.

1.3 PROJECT BENEFITS

The *Solar* Overhaul Exchange Program exchanges major turbine engine components instead of waiting while the customer's existing equipment is overhauled, which minimizes operational downtime. The exchange equipment is

assembled from a pool of new and remanufactured components that provide identical form, fit, and function, and includes all applicable technological updates that improve engine durability and reliability.

A major overhaul restores mechanical integrity, performance, and the required time between overhauls (TBO) to the same levels as a newly purchased engine. The overhaul process is divided into four phases:

- Core Disassembly
- Remanufacture
- Assembly
- Test

Application: Major Overhaul is recommended for Customer engines operating in environmental conditions requiring maximum engine performance and/or where high levels of availability and reliability are required. A Major Overhaul is also recommended for customers in countries where logistics are difficult and national borders are not easily crossed with capital equipment.

2.0 COMMERCIAL

The following items are discussed in this section:

- Price Breakdown
- Delivery
- Payment Milestones
- Installation and Recommissioning Services
- Customer Project Support

2.1 PRICE BREAKDOWN

The prices quoted in this proposal are based on the noted below operating hours, and are subject to change depending on the actual number of operating hours and scope of supply at time of overhaul.

TAG Number: Unit #2	PRICE (USD)
Package Serial Number: TG00N31	SELL PRICE
Base Scope of Supply	
Taurus 60 Engine Overhaul	\$887,390.00
Gas Producer (GP): Running @ 33,000 Hrs	\$809,146.80
Gas Producer Exchange Fee	(WAIVED) \$60,962.00
Reduction Gearbox (RGB): Running @ 33,000 Hrs	\$77,443.20
Reduction Gearbox Exchange Fee	(WAIVED) \$12,007.00
Miscellaneous	
Freight From Solar Overhaul Facility and Freight for Return of Core to Overhaul Facility	\$800.00
FT21609-106 (Single Point, Engine Lift Tool)	(WAIVED) \$18,874.00

2.2 DELIVERY TERMS

- Trade Terms: Ex Works, Seller's Designated Facilities (Incoterm 2010)
- Location: Seller's Designated Facilities
- For *Solar* to meet the above noted Trade Terms and a delivery date of November 29, 2013, the Customer's Purchase Order must be received by October 30, 2013. Actual delivery dates will be confirmed after a purchase order has been received.

2.3 PAYMENT MILESTONES

NET thirty (30) days from the date of invoice.

2.4 INSTALLATION AND RECOMMISSIONING SERVICES

Installation and Recommissioning Services are highly recommended to minimize the package downtime. Teams with specialized skills and tooling are available to efficiently and quickly install the noted scope of supply. Well-qualified Field Service Representatives are also available for the recommissioning of the turbomachinery package after the installation of the upgrades.

There are two levels of Installation Services:

- Supervision Only
 - On-site decommissioning supervision of the hardware to be replaced
 - On-site installation supervision for the new hardware
 - Qualified technicians and necessary tooling are provided by others
- Supervision and Labor
 - On-site decommissioning supervision and labor for the hardware to be replaced
 - On-site installation supervision and labor for the new hardware

Recommissioning service on-site work scope includes:

- Startup and troubleshooting of new system upgrades
- Verification of critical operating functions
 - Package safety shutdown set points and sequence
 - Package start-up and shutdown sequence
 - Package back-up relay shutdown sequence
 - Interface between *Solar* systems and customer safety systems, as required
 - Turbomachinery fire and gas detection system, as required

For Installation and Recommissioning Services pricing details, please refer to the Field Service Daily Rates applicable to your region.

2.5 CUSTOMER PROJECT SUPPORT

This section describes the general activities and services required from Solar's customers to ensure successful completion of a project.

2.5.1 INSTALLATION AND RECOMMISSIONING ASSISTANCE

During the installation and recommissioning of the package, the following customer assistance is expected:

- Safety orientations for Solar Turbines employees, subcontractors, agents, or other representatives
- Designated space for and access to *Solar* tooling workshop at site
- Inventory of *Solar* Scope of Supply
- Phone and e-mail communications for *Solar* personnel on site
- Timely work permits
- Security and medical personnel, as required
- Adequate and acceptable lodging, food, water, and subsistence near or at site
- Adequate lighting and protection from the elements
- Other items listed in Solar Turbines Terms and Conditions, Section 8.1
- Depending on the level of Installation and Recommissioning Services provided under Solar's scope of supply, the following additional activities might be required from the customer:
 - Installation and recommissioning supervision Manager
 - Installation and recommissioning manpower and associated foremen

2.5.2 OVERHAUL FACILITY

The Customer is responsible for shipping the Core Equipment described in this proposal to the *Solar* Overhaul Facility located at the following address:

Solar Turbines Incorporated
215 Centre Park Boulevard
DeSoto, TX 75115 - USA

2.5.3 CORE EQUIPMENT RETURN

The core equipment must be returned to the facility designated by *Solar* within 14 days from delivery. If the core equipment is not received within the return period, a daily late fee of \$1,097.00 will be accrued and will be billed monthly to customer until the equipment is returned to *Solar*; and the Exchange Fee will be re-instated into the invoicing. If the core equipment is not returned within one year from first accrual of Daily Late Fees (that is, a year after the end of the

allotted period) then *Solar* will infer that the customer wishes to purchase the core equipment. A "Maximum Exchange Price" for the remainder of the capital cost will then be invoiced to the customer. After *Solar* receives the Maximum Exchange price, the core equipment becomes the customer's property. If the overhaul charges have not been paid at the end of the first year, then the Maximum Exchange price, minus the overhaul fee, minus paid daily fees, plus interest calculated to date, will be invoiced to the customer. Only upon receipt of the final payment does the core equipment become the customer's property.

2.6 EQUIPMENT SERIAL NUMBER REUSE

Please refer to Product Information Letter (PIL) 237 for details about the methods available to accommodate customer's need to reuse equipment serial numbers.

2.7 CUSTOMS VALUATION

Please note that *Solar* is required to report the full fair market value of goods exported for Customs purposes and that value is shown on the commercial/shipping invoice.

Accordingly, for exchange transactions involving the return of used equipment ("core"), the price charged for the refurbished equipment will differ from the full fair market value reported for Customs purposes (including import duties), as the price charged does not reflect the value of the core returned or to be returned to *Solar*.

3.0 TECHNICAL

The following items are discussed in this section for each Package Serial Number (PSN):

- Solar Turbines Scope of Supply
 - Base Scope of Supply
 - Recommended Upgrades - Highly useful enhancements
- Customer Scope of Supply
- Roles and Responsibilities Tables

3.1 PACKAGE SERIAL NUMBER TG00N31

3.1.1 SOLAR TURBINES BASE SCOPE OF SUPPLY

Solar will perform a Gas Turbine Engine Overhaul on the Taurus 60-7301 package considered as covered equipment under this proposal. The proposed scope of supply includes:

- Gas Producer (GP)
- Reduction Gear Box (RGB)

While the engine overhaul is limited to all related major engine and package components, the scope does not include modifications or replacement beyond the base scope of supply listed above.

Each phase of the overhaul process contributes to providing an engine that meets the same quality and performance standards as a new engine. Components that can complete another full duty cycle before the next overhaul are restored to original tolerances, which provide reliability at a reduced cost.

Solar's Major Overhaul process automatically updates the entire engine with the most recent improvements that increase the reliability, durability, efficiency, and maintainability of the engine, all of which extend the next duty cycle to its maximum length.

Every overhauled engine is given a rigorous full-load dynamometer test in a *Solar* production-calibrated test cell to make sure that each engine meets its design specifications.

A Major Overhaul upgrades the aerodynamic, thermal, and mechanical internal configurations of the engine to the most recent designs. Material handling and work processes are consistent with and are certified to ISO-9002 and MRPII Class A practices.

Exchange Gas Turbine Engine Overhaul

Below is a brief description of a *Solar* Major Overhaul:

The exchange engine will be composed of new and remanufactured components. Solar Turbines Incorporated certifies that the finished product has been manufactured to Solar's stringent quality control standards and that the material being delivered conforms to all *Solar* specifications, drawings, and conditions. Under normal operating conditions, the customer can expect the engine to operate for 30,000 hours, or more depending on the engine model, before it needs another overhaul.

The Exchange engine will have gone through the following processes before being shipped to the customer's site.

Core Disassembly

The overhaul process begins with the gas turbine being disassembled down to the component level.

Inspection

After the parts are cleaned, they pass through the inspection process where they are measured for correct tolerances, and, where appropriate, they undergo non-destructive testing (NDT). NDT is essential to determine surface and subsurface material imperfections on critical, highly stressed turbomachinery components. This process is done according to Solar's Overhaul Inspection Standards.

The typical scope for a Major Overhaul includes a series of visual and dimensional checks, as well as NDT methods that include but are not limited to:

- Magnetic Penetrant Inspection (MPI)
- Fluorescent Penetrant Inspection (FPI)
- X Ray imaging

Component Disposition

Solar has developed overhaul specifications that give criteria for acceptance and rejection decisions on parts that will be inspected during overhaul. Upon disposition, components are sent to various *Solar* facilities and/or outside vendors for remanufacturing and reconditioning.

Remanufacturing

All suitable components are remanufactured to strict acceptance and repair limits that are controlled by the Engineering Group. These acceptance and repair limits are determined by over 40 years of *Solar* part reuse experience. All parts are returned to as-new condition and support overall engine durability and make sure the required time between overhauls (TBO) is the same as a newly purchased engine.

Operations include but are not limited to:

- Complex Machining
- Thermal Spray

- TIG Welding
- Vacuum Brazing
- CMM Inspection
- Laser Welding
- Electron Beam Welding
- Diffused Aluminide
- Compatible Alloy Brazing
- Coatings - SermeTel

The overhaul processes automatically incorporate the most recent design changes that increase the reliability, durability, efficiency, and maintainability of the engine, all of which extend the next duty cycle to its maximum length.

After the remanufacturing process is completed, the components are put in general inventory stores and are used as required to support subsequent equipment assembly.

Assembly

As the original equipment manufacturer (OEM), *Solar* applies Engineering Group-controlled design standards to all assembly processes to ensure mechanical integrity and performance of the engine and its components.

All equipment is assembled from a pool of new and/or remanufactured components.

Test

Factory testing is done in accordance with Solar's engine test specifications and is done as outlined below. The purchaser or purchaser's designated representative is given access to Solar's Production Test facilities to observe factory production tests in accordance with Solar's production and testing schedules. Unavailability of the purchaser or purchaser's representative shall not be cause to delay the production tests.

The acceptance test for the engine is done on a facility test stand in accordance with Solar's specifications. The engine drives a high-speed dynamometer, which enables *Solar* to measure all aspects of engine operation and performance. The acceptance test generally includes the following:

- Turbine power and heat rate
- Turbine temperature measurements
- Vibration levels and spectra
- Emissions when applicable
- Bearing oil flows, pressures, and temperatures
- Seal airflows and pressure
- Engine compressor discharge pressure
- Start time

Acceptance test data are reviewed and approved by the Test Engineering Group and the Project Manager and are recorded by the Quality Assurance Group before the data is submitted to the customer. The certified test report gives test

results and compares the results to Solar's acceptance test specification.

Documentation

Documents supplied to customers are:

- Engine Condition Report (ECR)
- Certified Test Report

3.1.2 CUSTOMER SCOPE OF SUPPLY

The core equipment returned to the facility designated by *Solar* must include all components described in the Service Bulletin Number: 8.0/117

To make sure the assigned tasks are completed in a timely manner, the Customer shall provide items defined in Section 9.1. "Buyer Assistance" of Solar's General Terms and condition.

3.1.3 ROLES AND RESPONSIBILITIES TABLES

The Roles and Responsibilities tables below clarify the scope of responsibility for installation and re-commissioning activities. These tables are typically reviewed as part of the Pre-Installation meeting with the goal of reaching agreement between *Solar* and the Customer. The legend below applies to the following tables.

PARTY	DEFINITION
Customer	Provided by Customer
<i>Solar</i>	Provided by <i>Solar</i>
Customer/ <i>Solar</i>	Shared responsibility between <i>Solar</i> and Customer
CO	Provided by Customer. Solar Turbines may provide this scope at an additional cost. Contact <i>Solar</i> project manager to discuss a change order.
N/A	Not applicable
N/I	Not provided by <i>Solar</i>

There are two Roles and Responsibilities Tables:

3.1.3.1 Base Scope of Supply

This table is a list of activities that are done within the Turbine Package and Turbine Control Panel. The activities are related to the scope of supply described in this section, and are specific to the PSN.

Ref	Activities	Documentation	Installation Supervision	Installation Labor	Note
1	110 VAC and Shop Air for <i>Solar</i> Tools	N/A	Customer	Customer	
2	Rigging/Lifting Personnel and Equipment	N/A	Customer	Customer	
3	General Fabrication (Welding, Torch, Brackets or Frameworks)	N/A	Customer/ <i>Solar</i>	Customer	
4	Modifications to the package's existing tubing or conduit	Not Included	CO	Customer	
5	Re-Commission Unit and place back on-line	N/A	CO	CO	
6	Customer personnel needed for installation activities: Electrical Technician, Instrument Technician, Mechanical Technician and Welders on standby	N/A	Customer/ <i>Solar</i>	Customer	

3.1.3.2 Balance of Plant

This table is a list of activities that are done outside the Turbine Package and Turbine Control Panel, but within the systems battery limits. The activities are related to the scope of supply described in this section, and are specific to the PSN. As an example, a *Solar* supplied electrical device that is powered and monitored by the Turbine Control Panel but is installed in the MCC is considered balance of plant equipment. A *Solar* valve installed on a pipe valve skid that is controlled and monitored by the Turbine Control Panel is another example of balance of plant equipment. Generally, installation activities of such devices fall within the customer's responsibility unless indicated otherwise in the table.

Ref	Activities	Documentation	Installation Supervision	Installation Labor	Commissioning Supervision	Commissioning Labor	Note
Turbomachinery Balance of Plant							
1	Unit Safety Isolation Activities	Customer	Customer	Customer	Customer	Customer	
2	Unit Isolation from Other Units	Customer	Customer	Customer	Customer	Customer	
Mechanical							
3	Cranes and Lifting tools	Customer	Customer	Customer	Customer	Customer	
4	Structural Support for Equipment supplied by <i>Solar</i>	Customer	Customer	Customer	Customer	Customer	

4.0 TERMS AND CONDITIONS

Solar Turbines Incorporated

General Terms and Conditions for Sale of Refurbished Equipment, Engineered Products, Parts, Field Service Labor, Technical Training Services, Overhaul, Repair and Exchange Services (Form 9968a Rev 02/2013)

1. OFFER AND DEFINITIONS. Solar Turbines Incorporated (herein "Seller") is based in San Diego, California with subsidiary and affiliated company offices located throughout the world. These Terms and Conditions are issued in connection with a written Offer such as a sales proposal (hereafter "Offer"), by Seller to supply certain goods and services to Buyer. Unless otherwise specifically stated in the Offer, these Terms and Conditions establish the rights, obligations and remedies of Seller and Buyer that apply to the Offer and any resulting Order (as defined in Article 2 below).

"Documentation" means technical documentation, programs, manuals and the like.

"Engineered Products" means turbomachinery package modification and/or uprate/upgrade kits, restages, or sub-assemblies.

"Exchange" means exchange of a major Buyer-owned assembly that requires work or overhaul, for a Seller-owned assembly of a similar model, which may be new or overhauled.

"Overhaul" means major inspection/overhaul work at Seller's facility where Buyer's assembly is disassembled to component level and components are inspected to Seller's standards. Components are repaired or replaced as necessary to meet original equipment specifications and performance for the particular assembly model. Upgrade modifications are incorporated to bring the assembly as close to new production standards as possible for that particular model. Engines are tested to meet Seller's specifications.

"Parts" means Solar certified parts provided under an Order.

"Products" means Parts, assemblies, components and materials provided by Seller in fulfilling the Order, including Seller's labor and services incorporated therein, excluding, however, all Services and Training.

"Refurbished Equipment" means refurbished turbomachinery packages and related ancillary equipment.

"Repair" means major component repair work to correct a specific, identifiable problem. Buyer's assembly is disassembled as far as necessary to repair or replace discrepant parts and/or correct a malfunction. Inspection, tolerance specifications, part repair/replace decisions and testing are per Buyer specification. Repair is performed at Seller's facility or at Buyer's site.

"Services" means field service labor, including without limitation all inspection, maintenance, emergency call-outs, troubleshooting,

commissioning/installation of Customer Products and all service calls associated with service agreements such as, Extended Service Agreements, Expanded Warranties, any other contract activity on the Buyer's site. The term Services does not include Products (as defined below, e.g. Parts) provided while performing Services.

"Training" means technical training services.

2. ACCEPTANCE, ORDER AND ENTIRE AGREEMENT.

2.1 Acceptance and Order. The issuance of a purchase order against the Offer, shall constitute an acceptance of the Offer and not a counteroffer, and together with these Terms and Conditions shall create a contract of sale (herein "Order"). Provisions contained in the purchase order documents against the Offer that materially modify, add to, or change the provisions of the Offer shall not be a part of the Order unless expressly agreed by Seller in Seller's written acknowledgement.

2.2 Modifications/Changes. Requests by Buyer for any modifications or changes to the Order, including without limitation, changes in specifications, quantities, delivery obligations and terms of payment, must be made in writing. All such requests are subject to Seller's written acceptance and may result in adjustments to price and/or delivery schedules.

2.3 Entire Agreement. The Order shall constitute the entire agreement between the parties defining the scope and the manner in which the Order will be performed, and all prior written and oral agreements and undertakings regarding the Products and/or Services are superseded by the Order. Neither Buyer nor Seller shall be deemed to have made any representations or warranties, express or implied, regarding the Products or Services except as specifically set forth in the Order.

3. PRICES AND PAYMENTS.

3.1 Prices. Unless otherwise stated in the Offer, all prices are stated in U. S. dollars and are valid for a period of sixty (60) days from the date of the Offer. Prices do not include sales, use or excise taxes, import or export duties, special financing fees, value added taxes, income or royalty taxes, consular fees, special permits or licenses or similar charges (collectively, "taxes"). Buyer shall either pay any and all such taxes and charges or Buyer shall provide Seller with acceptable exemption certificates. If Buyer fails to provide such certificates at least sixty (60) days prior to the scheduled ready to ship date, Seller shall provide Buyer proof that such taxes were paid, and it shall be Buyer's duty to recover such taxes. Seller shall be responsible for its own corporate income taxes and taxes related to its employees' work hereunder. All prices are based on delivery in accordance with the delivery term specified in the Offer, and do not include any charges for services such as preservation packaging, insurance, brokerage fees, marine survey, load out and tie down, site installation, or equipment start-up, unless such delivery term provides for such services under the applicable delivery term, or as otherwise agreed in writing by

Seller. Orders for Parts are subject to a minimum of not less than \$ 500.00 (USD).

3.2 Invoicing/Payment. Seller will submit invoice(s) to Buyer according to the payment schedule stated in the Offer, or if not set forth therein, then upon delivery, in accordance with the applicable delivery term, or upon completion of the Services or Training. Unless otherwise specifically stated in the Offer or expressly agreed to by Seller in writing: (i) Seller may split invoices for Products that are shipped individually when such Products are separately priced in the Order; (ii) all payments shall be made in U.S. dollars; (iii) at Seller's option, all payments shall be made by commercial letter of credit acceptable to Seller or made by wire transfer prior to shipment. Open account terms are subject to Seller's credit review and approval. In the event that open account payment is approved by Seller, all payments shall be due net thirty (30) days from the date of Seller's invoice (provided, however, that Seller may at any time and in its sole discretion grant or cancel Buyer's open account payment terms). Any invoice amount not paid when due shall be subject to a late payment charge equal to one and one-half percent (1.5%) of the delinquent amount per month or the maximum amount permitted by law, whichever is less, prorated on a daily basis for each day that such amount remains unpaid. Any collection costs are to the account of Buyer.

For Orders which exceed such credit line or where credit is not in place, Buyer will provide Seller an irrevocable letter of credit negotiable at sight, drawn on a bank acceptable to Seller.

Buyer's failure to pay invoices when due, or Buyer's failure to present Seller with an acceptable letter of credit upon request shall be deemed to be a material default by Buyer, and Seller may elect to: (i) discontinue performance of the Order, and/or (ii) terminate the Order, in which case cancellation fees determined in accordance with Article 10 shall be due to Seller, and/or (iii) pursue any other remedy available to Seller.

3.3 Security Interest. Buyer grants Seller a security interest in all Products identified to or delivered under the Order until payment of the total Order price is received. Buyer shall, at the request of Seller, execute and deliver to Seller any instruments (including Uniform Commercial Code Financing Statements) that Seller may deem necessary to protect its security interest in the Products.

3.4 Core Returns. Buyer shall within sixty (60) days return all core components to Seller per Seller's Core Return Guidelines. Upon Seller's receipt and acceptance of such core components, Seller shall credit Buyer an amount equal to the value of such core components. In the event that Buyer has not been charged for the price of the core component at the time of payment for the overhaul, Buyer shall return within sixty (60) days such core components per Seller's Core Return Guidelines. Otherwise, Seller shall invoice Buyer, and Buyer agrees to pay, upon receipt, an invoice for the value of the non-returned core. The amount paid by Buyer to Seller for any non-returned core shall be the Seller's sole remedy and the Buyer's sole liability with respect to the core.

4. TITLE AND RISK OF LOSS. Seller warrants that title to all Products hereunder, and its transfer of ownership is rightful and free from any security interest, lien or encumbrance of third parties. Unless otherwise expressly agreed in writing by Seller, title and risk of loss to the Products (or, in the case of partial or split shipments, the applicable items) shall pass to the Buyer when such Products or other items are delivered in accordance with the applicable delivery term, subject to any security interest retained by Seller. Claims for damages or shortages attributable to Seller must be in writing and received by Seller within thirty (30) days after receipt of Products, and must be accompanied by Seller's packing slip and full particulars of any such claim.

Unless otherwise stated in the Order, Buyer is responsible for delivery of the Products and Buyer's equipment/assemblies upon which services will be performed, to Seller's facilities as well as for the collection and shipment there from. Seller will perform the Order as contracted for and notify the Buyer or Buyer's agent when ready for shipment. All parts or items removed and replaced by Seller during Exchange, Overhaul, Repair, Service and/or Refurbished Equipment service shall become the property of Seller unless otherwise specified in advance in writing. Buyer will notify Seller at time of Order placement if transportation will be via air, surface or sea. Seller's packing for shipping purposes will be appropriate for the type of transportation to be utilized.

5. REGULATORY COMPLIANCE/APPLICATION RESTRICTIONS. Buyer shall comply with all applicable laws and regulations related to the purchase of the Products and Services under the Order including but not limited to, safety and environmental regulations, technical standards, and all applicable U.S. laws and regulations pertaining to any exportation of the Products (e.g., the United States Export Administration Act and the rules and regulations issued there under). Further, Buyer shall not use or operate the Products in a manner other than that intended in Seller's offering without Seller's prior written consent. The Products shall not be exported, re-exported or transshipped contrary to United States law. When Buyer is the exporter of record, it is Buyer's responsibility to acquire any required export license, to submit any required export declaration, and to provide any documentation required in connection with the export of the Products from the United States. Seller will assist in the supply of information required in the application process. Seller shall have no responsibility to review and confirm Buyer's compliance with any applicable laws and regulations relating to exports from the United States, and shall not be liable for any delays in delivery or suspensions in performance resulting directly or indirectly from the inability, due to causes beyond Seller's reasonable control, to obtain on a timely basis any necessary or applicable government authorizations (e.g., export licenses). Buyer warrants that the Products are purchased for installation and use at the location identified in the Order and will be shipped to that location.

Buyer shall instruct Seller to release the Products only to a carrier, customs broker or forwarding agent for shipment to the location stated in the Order.

6. WARRANTY.

6.1 Warranty. Except as otherwise specified below, Seller warrants the Products to be free from defects in workmanship and materials rendered or used by Seller in the performance of the Order. Seller warrants that the Services provided by Seller under the Order will be performed in a workmanlike manner. These warranties are subject to Article 6.3 and shall apply only to claims made during the applicable warranty period as determined in accordance with Article 6.2.

6.2 Period of Warranty. The applicable warranty periods are as follows, for:

- a. **Refurbished Equipment:** the warranty period shall, on a unit-by-unit basis, expire on the earlier of: (i) eighteen (18) months from the date of readiness to ship; or (ii) twelve (12) months after the unit is first placed into service, or would be capable of being placed into service but for any cause beyond the reasonable control of Seller (e.g., lack of fuel supply).
- b. **Engineered Products, Parts, Overhaul and/or Exchange:** the warranty period shall be twelve (12) months from the date of delivery in accordance with the applicable delivery term.
- c. **Repair:** the warranty period for Parts replaced and work performed shall be six (6) months from the date of delivery in accordance with the applicable delivery term or performance of the Repair (if such Repair is performed at Buyer's site).
- d. **Services:** the warranty period shall be thirty (30) days from the date the applicable Services were furnished.
- e. **Training and Documentation:** Training and Documentation are provided without warranty or recourse and on an AS IS basis.

6.3 Terms of Warranty. The foregoing warranty coverage shall be subject to the following conditions, qualifications, remedies and exclusions: (i) a warranty claim submitted in accordance with Seller's warranty claim procedures; (ii) the Products are stored, installed, operated, used and maintained in accordance with good engineering practices and any applicable industry standards, and Seller's recommended practices, procedures and specifications (including, without limitation, the applicable operation and maintenance manual(s) for the unit(s) and any applicable fuel, air, water, packaging or preservation specifications or recommendations communicated or otherwise made available to Buyer in writing); (iii) any failed Products are promptly returned to Seller's repair center in accordance with Seller's standard claim instructions, transportation charges prepaid; (iv) Seller's examination of any failed Products confirms the existence of a warranted defect; and (v) any claim under this warranty is made within thirty (30) days of discovery of the confirmed defective parts and, in any event, before the expiration of the applicable warranty period.

6.4 Seller's Obligations. Seller's obligations under this warranty are limited

to repair or replacement of the confirmed defective part(s), as Seller elects, free of charge at Seller's place of business or repair center; and excluding freight and site labor costs to remove, repair or replace such part(s) or re-performance of the Services. All replacement parts and repaired parts are warranted through, but not beyond, the original warranty period;

- a. The above warranty shall not apply to or include: (i) normal maintenance services or adjustments; (ii) the removal or reinstallation of warranted Products or the costs associated therewith; (iii) any Products that have been repaired or altered, other than by Seller, in any way so as to adversely affect their operation or reliability in Seller's judgment; or (iv) the effects of corrosion, erosion, degradation, wear and tear, or failure occasioned by operation, condition of service more severe than specified in the Order or otherwise not in accordance with Seller's written recommendations; and
- b. Construction works, fabrications, major off-package accessories, ancillary equipment, and driven equipment not of Seller's manufacture are warranted only to the extent of the original manufacturer's or supplier's warranty, copies of which shall be made available upon request.
- c. Enrollment in Training and is restricted to Buyer's authorized agents and employees, who are subject to Seller's prior approval. Buyer shall prepare and submit to Seller a list of all individuals who will be attending the Training. For compliance purposes (e.g., export compliance), no changes to the list shall be accepted if done within seventy-two (72) hours of the date that the Training will be provided. Seller shall have no obligation to provide Training to any individual that is not on the pre-approved list.

6.5 Additional Qualifications and Limitations to Warranty.

- a. Seller warrants that the Products and any Services will conform only to those national, federal, state or local laws, ordinances, regulations, codes and standards, as specifically stated in the Offer or agreed to in writing by Seller.
- b. THE ABOVE WARRANTIES ARE IN LIEU OF ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, all other representations to the original Buyer, and all other obligations or liabilities, including liability for incidental or consequential damages. No person is authorized to give any other warranties or to assume any other liability on Seller's behalf unless agreed to in writing by Seller.
- c. Seller's sole liability and responsibility, and Buyer's sole and exclusive remedy, with respect to any and all warranties shall be limited to the respective remedies set forth above. All such remedies will be subject to the limitations of Article 16 below.

7. EXCUSABLE DELAY. Seller shall not be liable for any delay in performance, any nonperformance, or any other deviation in performance of Seller's obligations, nor for any loss or damage to the Products supplied

hereunder, when occasioned directly or indirectly by any cause or causes beyond the reasonable control of Seller or its subcontractors or suppliers, including, but not limited to, acts of God; acts of criminals or public enemy; war; riot; official or unofficial acts, orders, regulations or restrictions of any foreign or domestic government or agency thereof; change of law, acts of Buyer or its employees or representatives; strikes or labor difficulties involving employees of Seller or any other party; failure, shortage or delay in Seller's usual sources of labor or material supply. Seller shall have a reasonable extension of the time for performance when delayed by any such cause.

8. SUSPENSION OR DELAY.

8.1 Buyer's request for a suspension of any Order or for a delay in shipment, delivery or performance ("Buyer delay") must be provided in writing to Seller and is not effective until acknowledged in writing by Seller. Notwithstanding the foregoing, Buyer actions or inactions that effectively prevent Seller's progress (including nonpayment) shall be deemed a Buyer delay. A Buyer delay may result in adjustments to prices, payments, delivery terms, and delivery schedules. The subsequent completion of the Order may exceed the number of days of delay due to Seller's scheduling constraints. If the cumulative duration of any and all Buyer delays exceeds sixty (60) days, then the Order shall be deemed terminated by the Buyer, and Seller shall be entitled to cancellation charges as set forth in Article 10.

8.2 Overhauls, Exchange, Engineered Products, Repairs and

Refurbishments. If: (i) a Buyer delay occurs sixty (60) or fewer days prior to the scheduled readiness to ship date; (ii) a Buyer delay occurs at a point where production/fabrication has proceeded to the point that Seller determines that it cannot reasonably reschedule completion, or (iii) Seller reasonably determines that the Products will be ready for delivery in accordance with the applicable delivery term/location but Buyer will be unable or unwilling to take possession (e.g., when a job site is not ready for delivery due to no fault of Seller); then the Order shall be completed and the provisions in 8.2.a and 8.2.b shall apply.

- a. Buyer shall have the right to designate an alternative delivery location. If Buyer fails to identify an alternative delivery location within fourteen (14) days after the notice of readiness to ship, then Seller shall be entitled to deliver the Products to a storage facility designated by Seller. Upon Seller's notice to Buyer thereof, the delivery location (and the delivery term, if applicable) will be modified accordingly, and the Order price will be adjusted to the extent necessary to account for any difference in applicable freight or other charges resulting from the modified delivery location/term.
- b. Upon delivery of the Products in accordance with the modified delivery location/term: (i) title and risk of loss to the Products shall transfer to Buyer; (ii) Buyer shall be solely responsible for arranging and paying for storing the Products, subsequent loading, unloading, transportation and insuring the Products directly with the third parties providing such services;

and (iii) the payment milestones shall be automatically modified to allow Seller to invoice Buyer for any remaining portion of the Order price, which shall be due and payable in accordance with the invoice.

9. ON-SITE ACTIVITY. In the event the Order calls for any Services to be performed on-site, the following conditions shall apply in addition to the conditions specified in Seller's Customer Services Rate Sheet:

9.1 Buyer Assistance. Buyer shall provide such assistance as Seller may reasonably require to facilitate timely completion of the Order. If Seller is unable to perform through no fault of its own or as a result of Buyer's failure to cooperate or provide assistance, Seller shall be excused from performance. In such event, Seller may, at its option, terminate the Order in accordance with Article 10, or continue to perform to the extent possible and shall be entitled to an equitable adjustment in the Order price and/or schedule. Buyer assistance shall be free of charge and include but shall not be limited to, the following:

- a. Provide reasonable security and protection for all persons, property and equipment employed or used by Seller in the performance of the Order.
- b. Make available to Seller the use of any required utilities, including electrical power, transport and water.
- c. Assist Seller in obtaining access to roads, railways, pumping stations, power lines, pipelines, canals, and the like necessary in the performance of the Order.
- d. Provide Seller with fuels and lubricants in sufficient quantity and quality to meet the requirements of each phase of the Order.
- e. Assist Seller in obtaining any permits, licenses, or authorizations necessary to complete the Order and be responsible for obtaining all environmental permits including without limitation, air permits, permits to construct and/or operate and those relating to land use.
- f. Provide Seller with safe access to the Products as may be necessary to perform services in accordance with the Order.
- g. In the event Seller's agents, subcontractors, employees or other representatives have to perform work outside the United States, provide assistance to facilitate their entry, movement within or exit from any country where performance is rendered, including assisting Seller in obtaining necessary residence and work permits and be responsible for the payment of its applicable income taxes or other employee fees or taxes.
- h. In the event Seller's agents, subcontractors, employees or other representatives have to perform any portion of the Order at a remote site or in offshore waters in the United States, provide the following in accordance with accepted international industry standards and norms and at no cost to Seller: (i) all transportation for such persons from an agreed staging point to and from the site; (ii) all messing, housing, sanitation facilities, and emergency medical care; and (iii) all transportation and necessary special handling equipment to move Seller's Products, tools,

and equipment from an agreed staging point to and from the site.

9.2 Differing Site Conditions. If Seller, in the course of performing the Order discovers (i) subsurface or latent physical conditions at the site differing materially from those indicated in the Order, or (ii) unknown physical conditions at the site, of any unusual nature, differing materially from those ordinarily encountered in the work of the character provided for in the Order, then Seller shall inform Buyer and Buyer shall promptly investigate the conditions. If the conditions do so differ and cause an increase in Seller's cost of or time for performance of any part of the work under the Order, whether or not changed as a result of such conditions, an equitable adjustment in the Order price and/or schedule shall be made and the Order shall be modified accordingly.

10. TERMINATION OR CANCELLATION

10.1 Refurbished Equipment, Engineered Products. In the event of termination or cancellation of the Order by Buyer (other than due to a material breach by Seller), or termination by Seller due to a material breach by Buyer, Buyer shall pay Seller cancellation charges in accordance with the following cancellation schedule:

CALENDAR DAYS		CANCELLATION CHARGE (STRAIGHT LINE % OF ORDER PRICE)
FROM	TO	
Order	15 ARO	5
16 ARO	30 ARO	5-10
31 ARO	60 ARO	10-20
61 ARO	91 before RTS	20-70
90 before RTS	On or after RTS	70-90%

ARO = After Receipt of Order to perform

RTS = Ready to Ship

In no event shall the cancellation charge exceed the Order price, and any payments made by Buyer up to the date of termination shall be credited against the applicable cancellation charge. The parties agree that the cancellation charges identified above are a fair and reasonable estimation of the damages to be incurred by Seller as a result of any such cancellation/ termination, and are not intended to be compensation or consideration for any Products. Accordingly, upon any such cancellation or termination, Seller shall retain title in all Products, in whatever stage of completion.

10.2 Parts. An Order for Parts may be canceled at no charge at any time prior to shipment providing the Order is for Parts that Seller normally maintains in inventory. Should the Buyer terminate or cancel an Order for any Part that is not normally stocked by Seller, and the Part was specifically ordered or manufactured for the Buyer's requirements, the

Buyer will pay to Seller an amount based upon the Order price multiplied by Seller's determination of the percentage of completion at time of cancellation. Except where cancellation charges are designated as one hundred (100%) percent of the Order, the foregoing assumes title to all Parts, at whatever stage of completion, shall be and remain with Seller.

10.3 Field Services, Overhaul, Repair and Exchange. An Order for Services, Overhaul, Repair and Exchange may be canceled by Buyer at any time without charge prior to the start of work. Orders canceled after the beginning of work shall be subject to cancellation charges based on Seller's determination of the value of the time, materials and associated expenses incurred in performance of the Order plus the price for any specially procured or fabricated items not typically stocked by Seller. Products actually installed in Buyer's equipment and/or parts not returnable to Seller's inventory for sale to third parties shall be charged to Buyer's account at the applicable Order price.

An Order to Overhaul a Buyer-supplied assembly in an Exchange transaction may not be canceled once the Buyer has taken possession of Seller's overhauled assembly. In the event a formal exchange agreement has not been executed between Seller and Buyer, prior to the shipment of Seller's overhauled assembly, the Buyer remains subject to Seller's exchange fee per Seller's Standard Pricing. Buyer is responsible for freight and insurance costs for shipment of exchange unit and return of Buyer's core. Buyer retains title to Buyer's core assembly until core assembly is delivered to Seller's designated facility. Buyer's core assembly shall be delivered to Seller's designated facility in accordance with Seller's standard terms within sixty (60) days after delivery of the Exchange.

10.4 Training. There shall be no cancellation charge if written notice of cancellation is received by Seller at least thirty (30) days before the scheduled training ("BST") for standard courses (on-site or multi-customer) and at least ninety (90) days BST for customized courses. If less than thirty (30) days' notice BST is given for standard courses, the cancellation charge (as a percentage of the Order price for Training) shall be 50% for standard multi-customer courses and 100% for standard on-site courses. If less than ninety (90) days' notice BST is given for customized courses the cancellation charge (as a percentage of the Order price for Training) shall be 33% for notice received 61-89 days BST, 66% for notice received 30-60 days BST, and 100% for notice received less than 30 days BST. Except where cancellation charges are designated as 100% of the Order, the foregoing assumes all Documentation is retained by Seller.

11. PATENT INFRINGEMENT. Seller will defend, indemnify and hold Buyer harmless from any claim that the Products infringe upon a third party's rights in a registered United States patent or trademark, provided (i) Buyer promptly notifies Seller in writing of any such claim, (ii) Buyer gives Seller the sole right to defend, settle and control the defense of the suit or proceeding, (iii) Buyer provides all necessary information and assistance for such defense or settlement, and (iv) Buyer takes no position that is

material and adverse to Seller's defense of such claim. In the event Seller is obligated to defend such suit or proceeding, Seller will pay costs and damages finally awarded or agreed upon by Seller that are directly related thereto. Seller may, at Seller's own discretion and expense: (i) procure for Buyer the right to continue using the Products, (ii) replace the Products with non-infringing Products, or (iii) modify the Products to make them non-infringing. Seller will have no liability or obligation to defend if the claim, suit or proceeding is based on or arises out of a configuration, modification or change to the Products that is made, specified or requested by Buyer. The foregoing indemnity constitutes Seller's sole responsibility for infringement claims. Notwithstanding the above, Buyer agrees to defend, indemnify and hold Seller harmless from any claim of infringement for Products designed or manufactured to Buyer's specifications if such design, manufacture or specification constitutes the basis for such actual or alleged infringement claim.

12. RIGHTS TO DRAWINGS AND DATA. All engineering designs, data, and specifications ("Technical Information") delivered to Buyer are confidential or proprietary and shall: (i) only be used by Buyer for Products sold as part of this Order and, (ii) not be disclosed or reused without Seller's prior written consent. Seller grants Buyer a royalty free, non-exclusive license to use the Technical Information for Buyer's internal business purposes, including the right to share such Technical Information with Buyer's contractors and their subcontractors for the sole purpose of providing services to Buyer (and no other purpose), but only if such contractors and their subcontractors execute confidentiality agreements that are acceptable to Seller; provided, however, that Seller assumes no responsibility for such use. Notwithstanding the above, Buyer and its contractors and their subcontractors shall not use any Technical Information for commercial purposes of any kind. Any right granted herein shall be non-transferable except that Buyer may transfer such right to any successor owner or operator of the Products sold by Seller in this Order upon written approval from Seller.

13. INDEPENDENT CONTRACTOR. At all times while performing the Order, Seller shall be deemed to be an INDEPENDENT CONTRACTOR and not an employee or agent of Buyer. Equipment operators and Buyer's employees, agents, or subcontractors assigned to assist Seller may receive temporary instructions, or technical directions or the like from Seller, but shall at all times be considered the employees, agents, or subcontractors of Buyer and not of Seller.

14. TESTS/INSPECTIONS. Seller's normal tests and inspections of the Products, and any special tests expressly set forth in the Order are open to Buyer's observation and in a manner agreeable to Seller, subject to Seller's standard security procedures. Special tests and inspections that are outside the scope of the Order may be requested by Buyer in writing

and may be arranged, subject to Seller's reasonable discretion and scheduling constraints. In such cases, Seller shall add a reasonable adjustment to the Order price which reflects the added price for such special tests and inspections.

15. INSURANCE. Seller shall provide, pay for, and maintain in full force and effect during all periods of performance of the underlying Order, its "standard insurance" consisting of WORKERS' COMPENSATION (at the statutory amount), EMPLOYER'S LIABILITY (in the amount of \$1,000,000), COMMERCIAL GENERAL LIABILITY (in the amount of \$1,000,000), and AUTOMOBILE LIABILITY (in the amount of \$1,000,000).

16. LIMIT OF LIABILITY.

16.1 TO THE MAXIMUM EXTENT PERMITTED BY LAW, NEITHER BUYER NOR SELLER OR THEIR AFFILIATES, SUBCONTRACTORS, AGENTS AND/OR EMPLOYEES SHALL BE LIABLE FOR ANY LOSS OF USE, LOSS OF PROFIT, LOSSES RESULTING FROM OR RELATED TO DOWNTIME OR THE COST OF REPLACEMENT POWER OR COMPRESSION, SPECIAL, INDIRECT, PUNITIVE, EXEMPLARY, INCIDENTAL OR CONSEQUENTIAL LOSS OR DAMAGES OF ANY NATURE, HOWSOEVER CAUSED, AND WHETHER BASED ON WARRANTY, CONTRACT, TORT (INCLUDING NEGLIGENCE) STRICT LIABILITY OR ANY OTHER THEORY OF THE LAW REGARDLESS OF WHETHER A PARTY HAD ADVANCE NOTICE OF THE POTENTIAL OF ANY SUCH DAMAGES.

16.2 To the maximum extent permitted by law, the total liability of Seller, its affiliates, subcontractors, agents and employees arising out of the performance or nonperformance of the Order or any of its obligations in providing Products (including, without limitation, obligations in connection with the design, manufacture, sale, delivery, storage, erection or use of the Products) and/or the rendition of any Work in connection with this Order, whether based on warranty, contract, tort (including negligence), strict liability or any other theory of the law, shall not exceed in the aggregate a sum equal to either, as applicable, one times (i) the Order price of the discrete Product involved in the applicable claim, or (ii) the Order price of the Work performed. Buyer shall not institute any suit or action regarding the Order against Seller or any of Seller's subsidiaries, agents or employees unless filed within one (1) year of the event giving rise to the claim.

16.3 The limitations of liability set forth in this Article 16 shall prevail over any conflicting or inconsistent provisions contained in any documents comprising the Order.

17. ASSIGNMENT. Seller shall have the right to assign any rights or obligations under the Order to any of its affiliated or subsidiary companies. Any assignment of Buyer's rights or obligations under the Order shall be null and void unless Seller consents in writing.

18. Disputes/Applicable Law. Buyer and Seller shall use their best efforts to resolve any dispute or claim that may arise under the Order in an amicable manner. Except for Seller's claims for non-payment by Buyer hereunder, in the event either party believes the other party is in breach of or is noncompliant with any of the provisions of the Order, such party shall promptly notify the other in writing of such claim and the receiving party shall take reasonable measures to remedy such breach or noncompliance within thirty (30) days after receipt of notice. If the dispute is not resolved within such time, then the party initiating the claim shall demand a meeting of the parties, which meeting shall be held promptly in San Diego, California, unless the parties otherwise agree. Persons attending such meeting shall have decision-making authority regarding the dispute to attempt, in good faith, to negotiate a resolution of the dispute. The parties agree to participate in such negotiations and, if agreeable, mediation related thereto, for a period of thirty (30) days. If the parties are not successful in resolving the dispute through the negotiations, or mediation, if used, then the parties may seek an adjudicated resolution through the appropriate court. Should any provision of the Order be declared invalid, such declaration shall not invalidate or void the remaining provisions of the Order. The Order, having a reasonable relationship to the State of California, shall be governed by the laws of the State of California, United States of America, without regard to conflict of law principles.