



GE

Water & Process Technologies

Membrane Replacement Proposal

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		No. of Pages:	18 including cover
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Subject:	Membrane Replacement: 26 x ZW 500b 650ft ² WW Modules	Proposal No.:	749354
		Original Project No.:	500073
Plant Data:	Laguna County Sanitation District Wastewater Reclamation Plant, Municipal Sanitary Wastewater Treatment, Phase 1 (MBR): ZW500b, 2 Trains, 4 Cassettes/Train, 8/8M Modules/Cassette Phase 2 (Tertiary): ZW500c, 2 Trains, 14 Cassettes/Train 26/25M Modules/Cassette ADF = 3.0 MGD, Substantial Completion Date: December 1, 2002		



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This proposal has been issued, based on the information provided by Buyer and currently available to GE at the time of proposal issuance. Any changes or discrepancies in site conditions, including but not limited to changes in system influent water characteristics, changes in Environmental Health and Safety conditions, changes in Buyer financial standing, changes in the Disposal Permit reissued by the regulatory agency having jurisdiction changes in Buyer requirements, or any other relevant change or discrepancy in the factual basis upon which this proposal was created may lead to changes in the offering, including but not limited to changes in scope of service, pricing, guarantees, quoted specifications, or terms and conditions.

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1 Introduction

GE understands that Laguna recently performed some membrane inspections on their ZW 500b modules and found several modules with potting problems. These modules are required as replacements for those modules.

GE is pleased to present this proposal to County of Santa Barbara, California for 26, ZeeWeed® 500b 650 ft² waste water membrane modules for the Laguna County MBR. This module quantity represents approximately half of the MBR plants modules at the facility.

Hoses & Fittings

GE has assumed for this proposal that the current aeration and permeate hoses and fittings for the ZW500b cassettes do not need replacing at this time. If this is not so, please advise GE and request that they be added to this proposal.

On-site Technical Advisory Assistance

Please note that On-site Technical Advisory Assistance has not been included in the scope of this proposal. GE strongly recommends that Laguna consider having at least one experienced person on site during the membrane installation. On request, GE can provide Laguna with assistance to plan the membrane replacement and assist on-site with the implementation in order to take the most advantage of your new membrane purchase. Should that be desired, please contact your regional lifecycle manager.

Utilization

GE understands that these modules are required as replacements for currently installed modules.

These modules are offered on the basis that the membrane modules will not be used to provide expanded flow beyond the current plant flow rating. GE makes no guarantees, implied or otherwise as to the performance of these modules in any other capacity than as replacement membranes.

2 Prices

Qty	Item.	Part No.	Total Price.
26	ZeeWeed Membrane Modules - ZW-500b 650 ft ² WW	3035182	\$131,605
26	Individual Membrane Module Packaging - Bag/Box/Crate	3097663	
1	Freight & Freight Insurance CIP Laguna, INCO® Terms 2010, single stack shipment	3095534	
1	Brokerage at Canada US Border - Flat Fee	3095535	
1	US EPA Documentation Flat Fee	3095536	
1	US MPF Fee ~0.3464% - Merchandise Processing Fee	3095537	
1	US Customs Duty 3.9%	3095538	
All Figures are in USD \$. Please make Purchase Order to ZENON Environmental Corporation.			



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	Invoicing Schedule	%	Amount
	An invoice for 100% of the order will be issued after shipping documents have been supplied to the Carrier.	100%	\$131,605

3 Scope – GE

3.1 Membrane Modules

Supply 26 ZeeWeed® 500b 650 ft² Wastewater Membrane Modules, individually bagged, boxed and crated ready for ocean shipment.

3.2 Hardware

With the membranes we are providing additional cassette hardware so that existing cassette hardware which is removed to exchange the membranes can be replaced and renewed.

Supply associated hardware as follows:

- ☐ 104 x 3/8" -16 3/4" Long Hex Bolt SS.
- ☐ 104 x 3/8" -16 Lock Washer SS.
- ☐ 104 x 3/8" -16 Heavy Hex Nut SS.

3.3 Membrane Module Warranty

These ZeeWeed® Membrane Modules are supplied with a base 2 year Full Replacement Seller's Warranty against manufacturing defects. For details of the warranty coverage on the membrane modules supplied, please see Section 7.

3.4 Delivery

- ☐ **CIP** - Delivery will be by standard ocean/ground on the basis of CIP Laguna County MBR, Santa Maria, California, USA; Incoterms® 2010. CIP = Carriage & Insurance Paid. Partial shipments will be acceptable unless otherwise specified.
- ☐ **Origin** - Delivery of ZeeWeed® membranes originates from the GE Water & Process Technologies, ZENON Membrane Products (ZEM), Bláthy Ottó u 4, Oroszlány, 2840 Hungary facility.
- ☐ **Title & Risk** - Title and risk of loss or damage to membrane modules, cassette frames and crating shall pass to Laguna upon delivery to carrier at the designated delivery point.
- ☐ **Export Documents** - All ZeeWeed® membrane module shipments into the USA require clearance documentation from the EPA. GE will prepare and provide the required EPA documentation to the Carrier.
- ☐ **MPF** - Merchandise Processing Fee is a fee assessed for formal custom entries based on 0.21% of the invoice value, with a minimum of USD \$25 per formal entry and a maximum of USD \$485.



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- ☐ **Taxes and Duty** - A US Customs duty of 3.9% applies to all ZeeWeed® membranes. This duty alone is included in the price table and will be remitted by GE. Any other duties imposed are the responsibility of Laguna. Any applicable sales or value added tax is not included. All applicable Local, State, or Federal taxes are the responsibility of Laguna.
- ☐ **Temperature** - UF membranes cannot be allowed to freeze or overheat and may require temperature-controlled freight and handling according to the season and the planned routing.
- ☐ **Availability** - Delivery of membrane modules is typically 20 weeks after receipt of order. An inventory is available for this order size which may allow a 4-6 week delivery with prompt receipt of a Purchase Order. Definitive Membrane Module availability will not be confirmed until a Purchase Order is received from Laguna and acknowledgement of a Purchase Order is issued by GE.

4 Scope - Laguna

4.1 Maintenance Notes for Replacement Membranes

At the time of any full plant or full train membrane replacement, it is recommended to evaluate the appropriate timing of repairs or replacement of the following ancillary system components:

- ☐ Is it the right time to address any tank coating repairs which may be required?
- ☐ Is it the right time to replace non-metal cassette components?
- ☐ Are any of the hoses, clamps, camlocks, camlock seals and couplings due for replacement?

Membrane Slack

GE's membranes are supplied and shipped with an initial factory fiber slack designed to optimize membrane air scouring during operation as well as accommodate a degree of shrinkage. Membranes shrink in length early in their lifecycle when exposed to higher temperature water. The pace of shrinkage slows with age. With the installation of new membranes, the requirements for slack adjustment start a new cycle.

Due to the wide variety of operating environments in which our products can be utilized, it is difficult to generally predict the rate of shrinkage. If membranes operate in a condition of insufficient slack for an extended period of time, irreversible damage to the fiber-urethane bond may occur. Please refer below to the recommended inspection frequencies based on your plant's membrane tank operating temperature. Visual inspections should begin during the membrane installation and be repeated over time on the same cassette. Digital pictures will allow for comparative analysis of the fiber slack over time.

Maximum Operating Temperature	Recommended Slack Inspection Frequency
0-24 °C / 32-76 °F	Every 2 years
25-30 °C / 77-86 °F	Once Per Year
>30 °C / > 86 °F	Twice Per Year

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Bubble Test Pressure

Since the original modules were installed, improvements in our manufacturing process have increased the permeability of the 500b. With that improvement, the bubble test pressure is reduced to 2 psi horizontally and 3 psi vertically.

Preferential Flow

Preferential flows can create a risk of over-fluxing of new modules when they are installed in the same train with older modules. The mixing of old and new modules in the same cassette also makes management of slack adjustment more difficult. GE recommends that Laguna plan membrane module replacement on a complete cassette and complete train basis wherever possible to achieve both optimal performance and best value from the new membrane modules.

4.2 Installation Preparation

- ☐ Receive, transport, off-load, handle and provide temperature controlled storage of the equipment and materials required.
- ☐ Membrane Membranes must be stored in a sheltered area, protected from freezing, direct sunlight or extreme heat, and sealed as shipped until ready for use. Storage should be in a dark, dry, level area at a temperature of 5-30°C (41-86°F). Membranes should not be stored longer than necessary prior to installation. Laguna is responsible for risk of loss of Seller's parts while in storage at the plant.
- ☐ Inspect, evaluate and make repairs as required for the membrane tanks, mounting brackets, hoses and all connections.

4.3 Installation

- ☐ Remove cassettes from the system as required.
- ☐ Clean each cassette as it is removed from the system.
- ☐ Place new modules into each cassette.
- ☐ Return the cassette to the system.
- ☐ Dispose of membrane module preservative as well as all retired membrane modules and cassette components.
- ☐ Dispose of shipping and packaging materials unless specifically requested not to do so by GE.

5 Product Support

One of the ways that GE has clearly distinguished itself from other membrane manufacturers is through the range of services and support offered to our customers based on the many years of experience in UF membrane filtration. Included with any membrane replacement are the following services:

Local Support - GE has a global network of GE Water & Process Technologies service personnel that can deploy at short notice. These personnel have access to all the latest tools,



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procedures and equipment to provide the optimum assistance and support to plant operators.

Technical Support - For the life of each system supplied by GE, plant operators have telephone access to a skilled GE technical support specialist who will assist Plant Operators in troubleshooting of system problems during business hours.

Technical Support - Hours of Operation & Telephone Numbers	
Daytime Hours of Operation:	8:30am to 5:00pm Monday to Friday, Eastern Time Zone GMT-5
Telephone, toll free in North America:	1-866-271-5425
Telephone, outside of North America:	1 905-465-3030 and ask for Technical Support
Email address for Daytime Hours:	GEWater.TechnicalSupport@ge.com

ZeeWeed® Users Group - As an on-going support to ZeeWeed® plants, an annual 2 day ZeeWeed® Users Group meeting is organized by GE consisting of formal meetings and a tour of the hosting ZeeWeed® plant. New technologies are introduced, current issues are tabled, and roundtable discussions ensue. The Users Group has become an excellent forum for experienced operators to keep current, to renew old acquaintances, to exchange the "tricks of the trade" with each other, and to impart their hard-won knowledge to newer ZeeWeed® operators. Generous hospitality combines with informal experiences and exercises to enhance the esprit de corps between domestic and international plant operators.

All ZeeWeed® plants are invited to send operators representing the plant. GE covers conference, food, and hospitality expenses. The plant must cover the operator's travel and hotel expenses, and a small conference fee. GE supports this forum to facilitate interaction between ZeeWeed® Plant Operators and to provide a forum for real-world feedback to GE's management, design and operations staff.



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6 Terms and Conditions of Sale

A - Specific Terms and Conditions of Sale

1 Legal Entity for Contracting

ZENON Environmental Corporation is the name of the legal entity providing services and is an affiliate of GE Water & Process Technologies. Purchase Orders and Checks should be made out using the name ZENON Environmental Corporation.

Short Form: Where a short reference is required in this document, for convenience, we are called simply GE.

2 Payment Terms

On approved credit, payment terms are Net 30 Days after receipt of an invoice.

3 Price Validity

Prices quoted are valid up to thirty (30) days after the date of issue of this proposal unless confirmed with a Purchase Order.

4 Purchase Order Guidelines

Please ensure that your Purchase Order has covered the following points. This will ensure accurate and prompt order entry, product delivery, invoicing and accounts receivables processing and will prevent administrative delays for all parties.

- ☐ **Legal Entity** - Please be sure your Purchase Order is issued in the name of the specific GE legal entity issuing this proposal cited above. We will be glad to work with your Purchasing department to set this entity up as an approved Supplier/Vendor.
- ☐ **Hard Copy** - Our strong preference is to receive a hard copy of your Purchase Order rather than a PO number alone.
- ☐ **Proposal Number and Date** - Please reference the 6 digit Proposal Number and the Proposal Date which are found in the footer of each page.
- ☐ **Price** - State the total price you are accepting for this order.
- ☐ **Taxes** - Provide any required tax exemption certificates.
- ☐ **Ship-To Address** - Please clearly define the plant site address or delivery location and the Receiver's email & telephone. Specify receiving hours and any special off-loading requirements.
- ☐ **Delivery Date** - Please include your requested delivery date or agreement start date.

B - General Terms and Conditions of Sale

Note to Purchasing Agent: The following are GE's standard set of commercial terms & conditions, written for moderate value transactions to allow an efficient and rapid provision of services and parts. Where Corporate Agreement Terms have been previously agreed these may be brought forward by either party and applied by mutual consent. If either of these terms sets are not immediately acceptable, please expect a typical 6-10 week cycle of mutual review to build agreement on changes.

1. **Exclusive Terms and Conditions.** Together with any other terms the Parties agree to in writing, these General Terms and Conditions - together with the last proposal in order of time issued by the Seller - form the exclusive terms ("Agreement") whereby Buyer agrees to purchase, and Seller agrees to sell products and equipment (jointly "Equipment") and to provide advice, instruction and other services in connection with the sale of that Equipment ("Services"). If Buyer sends to Seller other terms and conditions to which Seller may not respond, including but not limited to those contained in Buyer's purchase order, such shall not apply. This Agreement may only be revised by a change order approved in writing by both Parties. All terms not defined herein shall be defined in Seller's proposal.
2. **Equipment and Services.** The Equipment to be delivered and the Services to be provided shall be as set out in this Agreement. Unloading, handling, storage, installation, and operation of Buyer's systems or the Equipment are the responsibility of Buyer. Buyer shall not require or permit Seller's personnel to operate Buyer's systems or the Equipment at Buyer's site.
3. **Prices and Payment.** Buyer shall pay Seller for the Equipment and Services in accordance with the payment schedule (as set forth in Seller's proposal or, if applicable, in any special conditions agreed to in writing by the Parties). Unless



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otherwise specified in writing, payment is due net thirty (30) days from the date of Seller's invoice. Seller may require a Letter of Credit or other payment guarantee, in which case the stated amount of the guarantee will be adjusted by Buyer in the event of any currency-based adjustment to prices or payment amounts per the Payment Schedule, and Buyer shall deliver the adjusted guarantee within five (5) days of request by Seller. Buyer agrees to reimburse Seller for collection costs, including 2% (two percent) interest per month (not to exceed the maximum amount permitted by applicable law), should Buyer fail to timely pay. Buyer shall have no rights to make any deduction, retention, withholding or setoff relating to any payments due under this Agreement.

4. **Taxes and Duties.** Seller shall be responsible for all corporate taxes measured by net income due to performance of or payment for work under this Agreement ("Seller Taxes"). Buyer shall be responsible for all taxes, duties, fees, or other charges of any nature (including, but not limited to, consumption, gross receipts, import, property, sales, stamp, turnover, use, or value-added taxes, and all items of withholding, deficiency, penalty, addition to tax, interest, or assessment related thereto, imposed by any governmental authority on Buyer or Seller or its subcontractors) in relation to the Agreement or the performance of or payment for work under the Agreement other than Seller Taxes ("Buyer Taxes"). The Agreement prices do not include the amount of any Buyer Taxes. If Buyer deducts or withholds Buyer Taxes, Buyer shall pay additional amounts so that Seller receives the full Agreement price without reduction for Buyer Taxes. Buyer shall provide to Seller, within one month of payment, official receipts from the applicable governmental authority for deducted or withheld taxes. Buyer shall furnish Seller with evidence of tax exemption acceptable to taxing authorities if applicable, prior to execution of the Agreement by both Parties or issuance by the Seller of the order acceptance. Buyer's failure to provide evidence of exemption at time of order will relieve Seller of any obligation to refund taxes paid by Seller.
5. **Delivery, Title, Risk of Loss.** Unless otherwise specified in this Agreement, Seller shall deliver all Equipment to Buyer FCA (Incoterms 2010) Seller's facility. The time for delivery of the Equipment to Buyer shall be specified in this Agreement. Seller's sole liability for any delay in delivery of the Equipment shall be as expressly set out in this Agreement. The place of delivery specified herein shall be firm and fixed, provided that Buyer may notify Seller no later than forty-five (45) days prior to the scheduled shipment date of the Equipment of an alternate point of delivery, Buyer shall compensate Seller for any additional cost in implementing the change. If any part of the Equipment cannot be delivered when ready due to any cause not attributable to Seller, Buyer shall designate a climate-controlled storage location, and Seller shall ship such Equipment to storage. Title and risk of loss shall thereupon pass to Buyer, and amounts payable to Seller upon delivery or shipment shall be paid by Buyer along with expenses incurred by Seller. Services provided herein shall be charged at the rate prevailing at the time of actual use and Buyer shall pay any increase, and Buyer shall pay directly all costs for storage and subsequent transportation. Failure by Buyer to take delivery of the Equipment shall be a material breach of this Agreement.

Title and risk of loss to the Equipment shall be transferred from Seller to Buyer at the point of delivery upon handover in accordance with this Agreement. Title and risk of loss to the Services shall pass as they are performed.
6. **Warranties and Remedies.** Seller warrants that Equipment shall be delivered free from defects in material, workmanship and title and that Services shall be performed in a competent, diligent manner in accordance with any mutually agreed specifications. Seller's warranty does not cover the results of improper handling, storage, installation, commissioning, operation or maintenance of the Equipment by Buyer or third parties, repairs or alterations made by Buyer without Seller's written consent, influent water which does not comply with agreed parameters, or fair wear and tear.

Unless otherwise expressly provided in this Agreement, the foregoing warranties are valid for:

- a. chemicals and Services, for six (6) months from their date of delivery or the provision of Services;
- b. consumables, including filters and membranes (other than membranes for process treatment), twelve (12) months from their date of delivery;
- c. membranes for process treatment, ninety (90) days from their date of delivery;
- d. Equipment other than chemicals and consumables, the earlier of, fifteen (15) months from delivery or shipment to storage, or twelve (12) months from start-up/first use;
- e. software, ninety (90) days from the date of receipt;
- f. Equipment not manufactured by Seller, the warranty shall be the manufacturer's transferable warranty only,



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Any claim for breach of these warranties must be promptly notified in writing, and Buyer shall make the defective item available to the Seller, or the claim will be void. Seller's sole responsibility and Buyer's exclusive remedy arising out of or relating to the Equipment or Services or any breach of these warranties is limited to repair at Seller's facility or (at Seller's option) replace at Seller's facility the defective item of Equipment, and re-perform defective Services. In performance of its obligations hereunder, Seller will not control the actual operation of either Buyer's systems or the Equipment at the Buyer's site.

Warranty repair, replacement or re-performance by Seller shall not extend or renew the applicable warranty period.

The warranties and remedies are conditioned upon (a) proper unloading, handling, storage, installation, use, operation, and maintenance of the Equipment and Buyer's facility and all related system in accordance with Seller's instructions and, in the absence, generally accepted industry practice, (b) Buyer keeping accurate and complete records of operation and maintenance during the warranty period and providing Seller access to those records, and (c) modification or repair of Equipment or Services only as authorized by Seller in writing. Failure to meet any such conditions renders the warranty null and void.

The Buyer will be entitled to assign to a subsequent owner of the Equipment the warranties of the Seller under this Agreement, provided that a prior written notification is sent to the Seller and the assignment agreement contains terms and conditions which provide the Seller with the protections of the warranties and limitations on liability contained in the Agreement. Subject to Buyer's compliance with the foregoing requirement, such warranty rights are expressly assignable by the Buyer to a subsequent owner of the Equipment. Except as provided herein, Buyer is not entitled to extend or transfer this warranty to any other party. The warranties and remedies set forth in this article are in lieu of and exclude all other warranties and remedies, statutory, express or implied, including any warranty of merchantability or of fitness for a particular purpose.

Unless otherwise expressly stipulated in this Agreement, Seller gives no warranty or guarantee as to process results or performance of the Equipment, including but not limited to product quality, flow, production, capacity, membrane life, chemical consumption, regulatory compliance or energy consumption.

7. **General Indemnity.** Seller shall indemnify and hold harmless Buyer from claims for physical damage to third party property or injury to persons, including death, to the extent caused by the negligence of Seller or its officers, agents, employees, and/or assigns while engaged in activities under this Agreement. Buyer shall likewise indemnify and hold harmless Seller from claims for physical damage to third party property or injury to persons, including death, to the extent caused by the negligence of the Buyer, its officers, agents, employees, and/or assigns. In the event such damage or injury is caused by the joint or concurrent negligence of Seller and Buyer, the loss shall be borne by each Party in proportion to its negligence. For the purposes of this article (i) "Third party" shall not include Buyer or any subsequent owner of the Equipment, their subsidiaries, parents, affiliates, agents, successors or assigns including any operation or maintenance contractor, or their insurer; and (ii) no portion of the Equipment is "third party property".
8. **Compliance with Laws and Permits.** All permits, authorizations, and licenses which are required to construct, install and/or operate Buyer's facility or equipment, to use the Equipment, or to manage and dispose of any wastes, discharges, and residues resulting from Buyer's use of the Equipment, shall be obtained and maintained by Buyer at Buyer's sole expense. Buyer is responsible for compliance with all laws and regulations applicable to the storage, use, handling, installation, maintenance, removal, registration, and labeling of all Equipment after delivery of the Equipment, as well as for the proper management and disposal of all wastes, discharges, and residues.
9. **Buyer's Site Conditions.** Buyer warrants that any data furnished to the Seller concerning conditions at Buyer's site (including but not limited to any existing Buyer facility, equipment or processes, influent water or other substances to be treated or measured with the Equipment) is accurate and complete, and the Seller reserves the right to utilize the most appropriate design compatible with generally accepted engineering practices, and to make changes in details of design, manufacture and arrangement of Equipment unless precluded by any limitations specified in this Agreement. Seller shall notify Buyer of (1) any conditions at Buyer's site which materially differ from those indicated in the data furnished by Buyer, (2) any previously unknown physical conditions at Buyer's site of an unusual nature, not revealed by previous investigations and differing from those ordinarily encountered in the type of work provided for in this Agreement, and (3) the presence of any Hazardous Materials (as defined below), the existence of a contaminated soil, unexploded ordnance, or archaeological remains. If such conditions cause an increase in Seller's cost or in the time required for the performance of Seller's obligations, Seller shall be entitled to an equitable adjustment in the Agreement price and an extension in the time for performance.



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10. **Hazardous Materials and Wastes.** In the event that Seller encounters any Hazardous Materials (meaning toxic substances, hazardous substances, pollutants, contaminants, regulated wastes, or hazardous wastes as such terms may be defined or classified in any law, statute, directive, ordinance or regulations promulgated by any applicable governmental entity) at Buyer's site, other than Hazardous Materials introduced by Seller or that are otherwise the express responsibility of Seller under this Agreement, Buyer shall immediately take whatever precautions are required to legally eliminate such Hazardous Materials so that the Seller's work under this Agreement may safely proceed. At no time shall Seller be deemed to have taken title to or the responsibility for the management or disposal of any wastes, Hazardous Materials, influent water, any resultant product streams, wastewater streams, discharges, cleaning materials, or any other materials or substances processed by the Equipment or otherwise located at Buyer's site. Seller does not take responsibility for and hereby expressly disclaims responsibility for the characterization or disposal of wastes, Hazardous Materials, or for the identification, selection, or management of disposal facilities for any wastes.
11. **Excusable Delays.** Seller shall not be liable nor in breach or default of its obligations under this Agreement to the extent performance of such obligations is delayed or prevented, directly or indirectly, due to causes beyond the reasonable control of Seller, including, but not limited to: acts of God, natural disasters, unusually severe weather, fire, terrorism, war (declared or undeclared) epidemics, material shortages, insurrection, act (or omissions) of Buyer or Buyer's contractors/suppliers or agents, any act (or omission) by any governmental authority, strikes, labor disputes, transportation shortages, or vendor non-performance. The delivery or performance date shall be extended for a period equal to the time lost by reason of delay or non-performance, plus such additional time as may be necessary to overcome the effect of the delay or non-performance. If delivery or performance is delayed for a period exceeding 180 (one hundred and eighty) days, either Party may terminate this Agreement without further liability provided that Seller shall be paid an amount equal to that which would be payable to Seller under the article entitled "Termination". If Seller is delayed by any acts (or omissions) of Buyer, or by the prerequisite work of Buyer's other contractors or suppliers, Seller shall be entitled to an equitable adjustment in schedule, price and/or performance, as applicable.
12. **Emergencies.** If the safety of Seller's personnel is threatened or likely to be threatened by circumstances outside the reasonable control of Seller, including but not limited to war, armed conflict, civil unrest, riots, terrorism, kidnapping, presence of or exposure to hazardous materials, unsafe working conditions, or by the threat of such circumstances or a lack of adequate protections against such circumstances, Seller shall be entitled to take all necessary steps to ensure the security and safety of its personnel including the evacuation of personnel until such circumstances no longer apply. Any such occurrence shall be considered an excusable delay event. Buyer shall reasonably assist in the event of any such evacuation.
13. **Confidentiality, Intellectual Property.** Both Parties agree to keep confidential the other Party's proprietary non-public information, if any, which may be acquired in connection with this Agreement. Buyer will not, without Seller's advance written consent, subject Equipment to testing, analysis, or any type of reverse engineering. Seller retains all intellectual property rights including copyright which it has in all drawings and data or other deliverables (including the Equipment) supplied or developed under this Agreement. Buyer agrees that it will not file patent applications on the Equipment or any development or enhancement of the Equipment, or of processes and methods of using the Equipment, without Seller's express prior written permission. Buyer further agrees that in any event any such patents will not be asserted against Seller or its other buyers based upon purchase and use of such Equipment. Seller grants to Buyer a non-exclusive, non-terminable, royalty free license to use the intellectual property embedded in Equipment delivered to and paid for by the Buyer, as well as any drawings, design or data delivered to and paid for by the Buyer, for the purposes of owning, financing, using, operating and maintaining the relevant Equipment at Buyer's site. Such license may only be assigned to a subsequent owner of the Equipment or to an operations and maintenance subcontractor. Such license does not extend to the re-creation of the Equipment or the manufacture of spares or consumables by Buyer or third parties.

Any software Seller owns and provides pursuant to this Agreement shall remain Seller's property. Seller provides to Buyer a limited, non-exclusive and terminable royalty free project-specific license to such software for the use, operation or maintenance at Buyer's site of any Equipment purchased hereunder to which the software is a necessary component. Buyer agrees not to copy, sub-license, translate, transfer, reverse engineer, or decode the software.

Seller shall indemnify and hold harmless Buyer from any rightful claim of any third party that any Equipment or Service infringe a patent in effect in the USA, or country of delivery (provided there is a corresponding patent issued



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by the USA), or USA copyright or copyright registered in the country of delivery. If the Buyer notifies the Seller promptly of the receipt of any such claim, does not take any position adverse to the Seller regarding such claim and gives the Seller information, assistance and exclusive authority to settle and defend the claim, the Seller shall, at its own expense and choice, either (i) settle or defend the claim and pay all damages and costs awarded in it against the Buyer, or (ii) procure for the Buyer the right to continue using the Equipment or Service, or (iii) modify or replace the Equipment or Service so that it becomes non-infringing, or (iv) remove the infringing Equipment and refund the price. The above paragraph shall not apply to any misuse of Equipment or Equipment which is manufactured to the Buyer's design, or to alleged infringement arising from the combination, operation, or use of any Equipment or Services with other equipment or services when such combination is part of any allegedly infringing subject matter. The foregoing list of sub-sections (i), (ii), (iii), and (iv) and related terms state the entire liability of the Seller for intellectual property infringement by any Equipment or Service.

14. **Limitations on Liability.** Notwithstanding anything else contained in this Agreement, to the maximum extent permitted by law, and regardless of whether a claim is based in contract (including warranty or indemnity), extra-contractual liability, tort (including negligence or strict liability), statute, equity or any other legal theory:
- a. THE TOTAL LIABILITY OF THE SELLER AND OF ITS INSURER FOR ALL CLAIMS ARISING OUT OF OR RELATING TO THE PERFORMANCE OR BREACH OF THIS AGREEMENT OR USE OF ANY EQUIPMENT OR SERVICES SHALL NOT EXCEED THE TOTAL PRICE PAID BY BUYER UNDER THIS AGREEMENT OR (IN THE CASE OF AN AGREEMENT FOR SERVICES WITH A TERM OF MORE THAN ONE YEAR) THE ANNUAL PRICE PAYABLE BY BUYER UNDER THIS AGREEMENT;
 - b. IN NO EVENT SHALL SELLER BE LIABLE FOR ANY LOSS OF PROFIT OR REVENUES, LOSS OF PRODUCTION, LOSS OF USE OF EQUIPMENT OR SERVICES OR ANY ASSOCIATED EQUIPMENT, INTERRUPTION OF BUSINESS, COST OF CAPITAL, COST OF REPLACEMENT WATER OR POWER, DOWNTIME COSTS, INCREASED OPERATING COSTS, CLAIMS OF BUYER'S CUSTOMERS FOR SUCH DAMAGES, OR FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, INDIRECT, PUNITIVE OR EXEMPLARY DAMAGES;
 - c. SELLER'S LIABILITY SHALL END UPON EXPIRATION OF THE APPLICABLE WARRANTY PERIOD, PROVIDED THAT BUYER MAY CONTINUE TO ENFORCE A CLAIM FOR WHICH IT HAS GIVEN NOTICE PRIOR TO THAT DATE BY COMMENCING AN ACTION OR ARBITRATION, AS APPLICABLE UNDER THIS AGREEMENT, BEFORE EXPIRATION OF ANY STATUTE OF LIMITATIONS OR OTHER LEGAL TIME LIMITATION BUT IN NO EVENT - TO THE EXTENT PERMITTED BY APPLICABLE LAW - LATER THAN FIVE (5) MONTHS AFTER EXPIRATION OF SUCH WARRANTY PERIOD.

For the purposes of this article, "Seller" shall mean Seller, its affiliates, subcontractors and suppliers of any tier, and their respective agents and employees, individually or collectively. If Buyer is supplying Seller's Equipment or Services to a third party, Buyer shall require the third party to agree to be bound by this article. If Buyer does not obtain this agreement for Seller's benefit for any reason, Buyer shall indemnify and hold Seller harmless from all liability arising out of claims made by the third party in excess of the limitations and exclusion of this article.

15. **Termination.** This Agreement and any performance pursuant to it may be terminated by either Party, and the consequences of such termination shall be as set out in the next paragraph, if the other Party
- a. becomes insolvent, makes an assignment for the benefit of its creditors, has a receiver or trustee appointed for the benefit of its creditors, or files for protection from creditors under any bankruptcy or insolvency laws; or
 - b. fails to make any payment when due or to establish any payment security required by this Agreement, or commits a material breach or defaults in its material obligations under this Agreement, and such default is not cured within thirty (30) days of written notice from the other Party.

Upon the termination of this Agreement by Buyer for cause (i) Seller shall reimburse Buyer the difference between that portion of the Agreement price allocable to the terminated scope and the actual amounts reasonably incurred by Buyer to complete that scope, and (ii) Buyer shall pay to Seller (a) the portion of the Agreement price allocable to Equipment completed, and (b) amounts for Services performed before the effective date of termination. Upon the termination of this Agreement by Seller for cause Buyer shall pay to Seller within thirty (30) days of receipt of invoice the price of all Equipment or Services delivered at the date of termination, plus an amount equal to all costs and expenses incurred in the engineering, sourcing, financing, procurement, manufacture, storage and transportation of the Equipment including materials, work in progress and any cancellation charges assessed against Seller by Seller's



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suppliers including reasonable overhead and profit on all such costs and expenses. Alternatively, if any schedule of termination payments has been agreed between the Parties, Buyer shall pay to Seller within thirty (30) days of receipt of invoice the amounts set out in that schedule.

Seller shall have the right to suspend performance upon written notice to Buyer in any case where Seller would have the right to terminate the Agreement under this article, without prejudice to Seller's right to terminate this Agreement for cause. Any cost incurred by Seller in accordance with any such suspension (including storage costs) shall be payable by Buyer upon submission of the Seller's invoice(s). Performance of the Seller's obligations shall be extended for a period of time reasonably necessary to overcome the effects of such suspension.

16. **Governing Law, Dispute Resolution.** This Agreement shall be governed by the substantive laws of the State of New York. In the event of a dispute concerning this Agreement, the complaining Party shall notify the other Party in writing thereof. Management level representatives of both Parties shall meet at an agreed location to attempt to resolve the dispute in good faith. Should the dispute not be resolved within thirty (30) days after such notice, the complaining Party shall seek remedies exclusively through arbitration. The seat of arbitration shall be the federal district court in Philadelphia, PA, and the rules of the arbitration will be the Commercial Arbitration Rules of the American Arbitration Association, which are incorporated by reference into this article.

Notwithstanding the foregoing, each Party shall have the right to commence an action or proceeding in a court of competent jurisdiction, subject to the terms of this Agreement, in order to seek and obtain a restraining order or injunction to enforce the confidentiality intellectual property provisions set forth in the first two paragraphs of article 13; nuclear use restrictions set forth in article 17, or to seek interim or conservatory measures not involving monetary damages.
17. **No Nuclear Use.** Equipment and Services sold by Seller are not intended for use in connection with any nuclear facility or activity, the Buyer warrants that it shall not use or permit others to use the Equipment or Services for such purposes, without the advance written consent of Seller. If, in breach of this, any such use occurs, Seller (and its parent, affiliates, suppliers and subcontractors) disclaims all liability for any nuclear or other damage, injury or contamination, and, in addition to any other rights of Seller, Buyer shall indemnify and hold Seller (and its parent, affiliates, suppliers and subcontractors) harmless against all such liability.
18. **Export Control.** Seller's obligations are conditioned upon Buyer's compliance with all USA and other applicable trade control laws and regulations. Buyer shall not trans-ship, re-export, divert or direct Equipment (including software and technical data) other than in and to the ultimate country of destination declared by Buyer and specified as the country of ultimate destination on Seller's invoice.
19. **Changes.** Each Party may at any time propose changes in the schedule or scope of Equipment or Services. All changes to the Equipment or Services shall be subject to mutual agreement via a written change order or variation, which shall only become effective once signed by both Parties. The scope, Agreement price, schedule, and other provisions will be equitably adjusted to reflect additional costs or obligations incurred by Seller resulting from a change, after Seller's proposal date, in Buyer's site-specific requirements or procedures, or in industry specifications, codes, standards, applicable laws or regulations. It shall be acceptable and not considered a change if Seller delivers Equipment (including Equipment replacement under warranty) that bears a different, superseding or new part or version number compared to the part or version number listed in the Agreement, provided that in no circumstance shall this affect any other of Seller's obligations including those set forth in article 6.
20. **Conflicts; Survival, Assignment.** If there is any conflict between this Agreement and any written proposal or quotation provided by Seller, then the terms and conditions set forth in this Agreement shall prevail. If any term or condition of this Agreement or any accompanying terms and conditions are held invalid or illegal, then such terms and conditions shall be reformed to be made legal or valid, or deleted, but the remaining terms and conditions shall remain in full force and effect, and this Agreement shall be interpreted and implemented in a manner which best fulfills Parties' intended agreement. Those provisions which by their nature remain applicable after termination shall survive the termination of this Agreement for any reason. Seller may assign or novate its rights and obligations under the Agreement, in whole or in part, to any of its affiliates or may assign any of its accounts receivable under this Agreement to any party without Buyer's consent, and the Buyer hereby agrees, by signing this Agreement, to such assignment and to execute any document that may be necessary to complete Seller's assignment or novation. This Agreement shall not otherwise be assigned by either Party without the other Party's prior written consent, and any assignment without such consent shall be void.



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Seller may (i) manufacture and source the Equipment and any part thereof globally in the country or countries of its choosing; and (ii) may subcontract portions of the Services, so long as Seller remains responsible for such.

21. **No Third Party Beneficiary.** Except as specifically set forth in the article entitled "Limitations on Liability" and "No Nuclear Use", this Agreement is not intended to, and does not, give to any person who is not a party to this Agreement any rights to enforce any provisions contained in this Agreement.
22. **Entire Agreement.** This Agreement embodies the entire agreement between Buyer and Seller and supersedes any previous documents, correspondence or agreements between them. No modification, amendment, revision, waiver, or other change shall be binding on either Party unless agreed in writing by the Party's authorized representative. Any oral or written representation, warranty, course of dealing, or trade usage not specified herein shall not be binding on either Party. Each Party agrees that it has not relied on, or been induced by, any representations of the other Party not contained in this Agreement.

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7 Seller's Warranty - ZeeWeed® Membrane Module

2 Year Full Replacement

This schedule sets out the warranty with respect to ZeeWeed® Membrane Modules ("Membrane Modules"). No other warranties, expressed or implied are made in connection with the sale of these products, including, without limitation, warranties as to fitness for any particular purpose or use or merchantability of these products. The warranty provided herein will be the exclusive and sole remedy of Buyer, and in no event will the Seller be liable for any special, direct, indirect or consequential damages, including, without limitation, loss of profits. This warranty is not transferable.

1 Product

This warranty applies to only the Membrane Modules supplied under the Contract of Sale. Membrane Module means a complete Membrane Module. This warranty does not cover air piping to the Membrane Module, permeate piping from the Membrane Module, piping connection fittings, connecting hardware and cassette frames with their associated components including but not limited to spacers, aerator tubes, aerator assemblies, screen, module dummies or module blanks.

Identification: Membrane Modules are shipped by the Seller with a serial number identification which confirms their place in the cohort set of Membrane Modules covered by this Membrane Module warranty.

2 Seller

ZENON Environmental Corporation is the name of the Seller and is the Seller offering this warranty. The Seller may assign this warranty to other GE affiliates.

3 Buyer

Buyer means County of Santa Barbara, California.

4 Project

Project means the 26 membrane modules sold under this proposal number 749365.

5 Contract of Sale

Contract of Sale means the sales contract governing the sale of Membrane Module(s) for the Project between Buyer and the Seller or its GE affiliate.

6 Scope of Warranty

The Seller warrants that its Membrane Module(s) will be free of defects due to faulty materials or errors in manufacturing workmanship.

Regular Membrane Module inspection and normal fiber repair shall be the responsibility of Buyer.

All replacement Membrane Modules will be shipped on the basis of INCOTERMS 2010 EXW GE Manufacturing facility.

All ancillary costs including but not limited to bagging, boxing, crating, freight, freight insurance, applicable taxes, import duties, brokerage, receiving, forklift services, storage at site, re-attachment hardware, hose/clamp/camlock replacement, crane services, installation, fiber repair materials, glycerin flushing, commissioning and waste disposal are the responsibility of Buyer.

Full Replacement – Full Replacement means that in the case of a valid warranty claim for a Membrane Module failure, Buyer receives a replacement Membrane Module and does not pay for the value of use of the Membrane Module prior to failure.

Prorated Replacement – Prorated Replacement means Buyer pays for actual use of a membrane module from which Buyer has derived value over time. Prorated Replacement allows the Seller to pay reasonable compensation under warranty for any product use not enjoyed by Buyer due to premature failure.

The ratio of Full Replacement to Prorated Replacement in this Warranty is set out in Item 8 of Section 7.



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7 Warranty Start Date

For the first set of membrane modules in a plant, this membrane warranty will start on the earlier of:

- a. The date that installation of the original Membrane Module(s) has been substantially completed, or
- b. Six months from the date of shipment of the original Membrane Module(s) to Buyer.

For replacement or expansion membranes, this membrane warranty will start on the earlier of:

- a. The date of installation, or
- b. 1 month from the date of delivery to site.

8 Warranty Duration

Total Warranty Duration: a total of **24** months composed of a Base Period and an Extended Period.

Base Period with Full Replacement: **24** months

All purchasers of ZeeWeed® Membrane Modules are entitled to this Base Period of Full Replacement warranty coverage without purchasing an extended Seller's Warranty.

Extended Period with Full Replacement: a total of **0** months following the Base Period

Replacement Membrane Modules are covered by warranty only to the extent of the warranty of the original Membrane Module which has been replaced. At all events, this warranty shall expire and be of no force or effect **24** months following the Warranty Start Date.

9 Notification of Claim

All claims filed under this warranty shall be made in writing by Buyer within 30 days of identifying a defect.

Buyer shall provide the following information:

- a. A description of the defect giving rise to the claim;
- b. Photographs showing the manufacturing defect;
- c. The serial number(s) of the Membrane Module(s) which is (are) the subject of the warranty claim; and
- d. Operating data and repair history for the life of Membrane Modules which are the subject of a warranty claim.

10 Verification of Claim

After receipt of written notification of a defect, the Seller will promptly undertake such investigations as, in the Seller's opinion, are necessary to verify whether a defect exists. The Seller reserves the right to require additional data as necessary to validate claims. Buyer may, in the course of these investigations, be requested to return Membrane Module(s) to the Seller for examination. The Seller may also conduct reasonable tests and inspections at Buyer's plant or premises. If the results of the investigation do not validate the defect claimed, Buyer will reimburse the Seller for all reasonable expenses associated with said investigation, including expenses for all tests, inspections, and associated travel.

11 Satisfaction of Claims

The Seller will have the right to satisfy claims under this warranty in a flexible manner. Such flexibility may include the repair of existing Membrane Modules or changes in operating protocols or Membrane Module replacement or by upgrading failed Membrane Modules with newer Membrane Module(s) that may embody design and efficiency improvements. Buyer consents to the supply of replacement Membrane Modules which may be of a different design than original Membrane Modules.

12 Operating Information

To maintain the Membrane Module warranty, membrane system operation records from initial start-up date until claim must be maintained by Buyer and made available to the Seller upon request. Records must be provided in sufficient detail to verify uninterrupted compliance with the Seller's Operations and Maintenance Manual prepared by the Seller and supplied to Buyer as part of the Contract. At a minimum, operation data must include information on feed water quality, temperatures, flows, trans-membrane pressures, aeration rates, permeate quality, cleaning intervals, cleaning chemical concentrations, elapsed time since start-up, relevant analytical data and reporting of any screen bypass events.



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Buyer shall maintain and share access to a single reference copy in electronic form of a Membrane Module map containing the history of activity by Membrane Module. Buyer shall log its procedures performed related to a Membrane Module including relocation of Membrane Modules, repairs, replacements and any other noteworthy events.

Buyer authorizes the Seller to conduct any reasonable review of operation and maintenance records or to inspect facilities where Membrane Modules are installed, upon reasonable notice to Buyer. Such reviews and/or inspections are intended to also assist the Seller and Buyer in detection of membrane system faults and to optimize the care and operation of the Membrane Modules.

13 Limitation of Warranties

Occurrence of any of the following as reasonably determined by the Seller will void this warranty:

- a. A material failure to operate the membrane system in accordance with Seller's Operations and Maintenance Manual supplied to Buyer as part of the Contract, including material failure to adhere to the Seller's specified Membrane Module cleaning procedures and the use of anything other than Seller-approved Membrane Module cleaning agents.
- b. Failure to adhere to the preventive maintenance program as presented in the Seller's Operations and Maintenance Manual.
- c. Failure to ensure correct operation and/or functioning of the screening equipment.
- d. Introduction of destructive foreign materials into the Membrane Module tanks. Destructive foreign materials may include natural or human-made materials that are introduced into the membrane system influent channel or tanks originating from construction and maintenance activities or from inadequate pretreatment or from aquatic species including clams and snails or from damage to the tank or tank coating. Sand and other materials that are naturally present in the influent will not be considered destructive foreign materials. Buyer shall be responsible to maintain correct function of the screen mechanism and to flush tanks of accumulated sand at the tank bottom.
- e. Failure to install and maintain operating data acquisition and electronic data transmission functions at the plant.
- f. Physical abuse or misuse, incorrect removal or installation of Membrane Modules by non-Seller personnel including fiber damage caused by operator error in handling of Membrane Modules or cassettes.
- g. Unauthorized alteration of any components or parts originally supplied by the Seller.
- h. Intentional damage.

14 Return Procedure

In the event that the return of a Membrane Module is required pursuant to this warranty, Buyer will first obtain a Return Goods Authorization (RGA) number from the Seller. Membrane Module(s) shipped to the Seller for warranty examination must be shipped freight prepaid. If Buyer desires temporary replacement Membrane Module(s) to replace those alleged to be defective and returned to the Seller for warranty examination, Buyer shall be responsible for the cost associated with any such replacements until examination of the returned Membrane Modules pursuant to this warranty is complete. Any Membrane Module examined by Seller as part of a warranty claim where the Membrane Module is subsequently found to be performing as warranted or where a Membrane Module failure is not covered under the warranty will be returned to Buyer, freight collect.



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8 Signed Agreement

Laguna and GE acknowledge that they have read and understood this Agreement and agree to be bound by the terms and conditions specified in it.

Offered by Legal Entity: ZENON Environmental Corporation,
also known as GE or Seller

Authorized
Signature By: _____

Title: _____

Signature Date: _____

Signature: _____

x

Accepted by Legal Entity: County of Santa Barbara, California
also known as Laguna or Buyer

Authorized
Signature By: _____

Title: _____

Signature
Date: _____

Signature: _____

x

Purchase Order No: _____

Agreement Start Date: _____

Upon acceptance of this proposal, please forward the following either • by email with .pdf attachments or • by postal mail or • by fax.

- 1) this signature page completed
- 2) a hard copy of your purchase order, and
- 3) any required tax exemption certificates

to:

Jim Imrie Jim.Imrie@ge.com
General Manager, Lifecycle Services
GE Water & Process Technologies
3239 Dundas Street West,
Oakville, Ontario, Canada L6M 4B2
Fax No.: 905 465-3050

Proposal Summary

Product/Service: 26 x ZW500b 650ft² WW modules.

Delivery: CIP Laguna County MBR, Santa Maria, CA, USA; 3-5 weeks

Price: USD \$131,605

Doc. Control: Author: CH
Technical Review: AC

Filename: Laguna 749365 MR 26 x ZW 500b 650ft WW Nov 8 2013.docx
Commercial Review: RM

Last Modified: 11/8/2013 10:21 AM
DOA: SH