PROPOSAL

Presented to

Derwick Associates

for

LM2500+ Repair of #4B area

Prepared by





Proposal No. 1512-6457

September 12, 2012

This document is privileged and contains confidential

Information intended for use only by Derwick Associates.

1. **Introduction**

ProEnergy Services (“ProEnergy”) is proud to provide this proposal to Derwick Associates Corp for repairs to the #4 bearing/CDP area of your LM2500+ Gas Turbine.

1. **Scope of Work**

ProEnergy will provide two (2) Technical Advisors to work with site personnel to remove the gas turbine from the package, prepare for shipment to our facility in Sedalia MO.

Once the gas turbine is at ProEnergy we will separate the modules down to the #4 bearing area where the damage can be visually inspected in detail. Damaged parts will be determined to be repairable per OEM guidelines. If parts can be repaired outside OEM guidelines, details will be provided and approval from Derwick Associates must be obtained in order to proceed. All work will be performed in accordance with the applicable OEM work packages and recommended practices and industry standards using OEM recommended tooling. If any other damage is found during disassembly/assembly, additional quotes will be required and all information will be provided to the Derwick Associates.

ProEnergy will assemble repaired, overhauled, new parts “if purchased” in accordance with OEM guidelines, prepare the gas turbine for shipment, ship the gas turbine to the facility and install back into the package enclosure. One (1) Technical Advisor will stay on site for startup for one (1) day. Any delays to startup that are not the cause of ProEnergy in any way, will be billed on an hourly basis based on $125 per hour.

Manpower supplied under this proposal will be at the time and materials rate included below.

* 1. Assumptions and Clarifications

The following assumptions and clarifications have been made in the preparation of this proposal:

* ProEnergy assumes suspected damages to effected “CDP area” of the turbine are repairable and therefore will not require new major components to be procured.
* Only parts listed in Section 3.5 have been quoted for repair. If any addition repairs are needed, ProEnergy will provide additional workscope and quotes for additional work.

1. **Pricing**
   1. Billing Rate

The rate noted in table 1 will be invoiced for every hour worked for each ProEnergy employee. Straight time will be invoiced for the first eight (8) hours per day Monday through Friday. Over time will be invoiced for all hours in excess of eight (8) per day and all hours worked on Saturday, Sunday and holidays. ProEnergy’s hourly billing rate includes employee salary, SOS insurance, workers’ compensation insurance, corporate general liability insurance, and all taxes charged by the United States Government.

**Table 1**

|  |  |  |
| --- | --- | --- |
| **Position** | **Straight Time**  **Billing Rate/Hour** | **Over Time**  **Billing Rate/Hour** |
| Field rep/Depot Labor | $125.00 | $165.00 |

* 1. Mobilization/Demobilization

Reasonable travel expenses associated with mobilization and demobilization including round-trip business-class airfare, meals (up to $50.00 per day, receipts not required) and travel time each way (up to 8 hours per day) will be invoiced from the ProEnergy employee’s original point of origin to the project site and demobilization to the ProEnergy employee’s original point of origin upon assignment completion.

Mobilization/Demobilization expenses are subject to the administrative fee outlined below.

* 1. Local Living Expenses

Upon arrival at the site, local living expenses incurred for hotel, meals (up to $50.00 per day, receipts not required), local transportation and associated costs will be invoiced for the duration of the project.

Local living expenses are subject to the administrative fee outlined below.

* 1. Taxes, Duties and Visas

All in country taxes, duties, visas, etc. will be the responsibility of Derwick Associates

* 1. Administration

The rates noted above include all U.S. taxes, insurance, and benefits associated with the labor. All expenses incurred for mobilization, demobilization and local living expenses (or per diem if applicable) will be invoiced at cost plus 15%. All time and expense sheets shall be approved and signed by the Derwick, LLC designated representative at the site.

* 1. **Quote: Removal, Transportation, Teardown, Repair, Assembly and Installation.**

Travel to Site

Removal of Engine from package and ship to Sedalia, MO

Once in depot in Sedalia, MO:

Induct engine into depot, Borescope engine and take inventory of external hardware

Remove modules down to #4 bearing area “assume damaged area”

Repair to various parts: No. 4R bearing air seal nut, No 4R Bearing pressure air seal, No. 4R bearing stationary oil seal, No. 4B bearing rotating oil seal, No. 4 bearing stationary air seal, No. 4B rotating air/oil seal, CDP rotation air seal, No. 4R Bearing nut, No 4 bearing split nut collar, No 4 Bearing nut retainer, CRF baffle, No 4 bearing CDP seal, No 4 bearing housing.

|  |  |  |  |
| --- | --- | --- | --- |
| 1474M64G0x | 9646M10P0x | 9693M02P0x | L14475P0x |
| 9346M79G0x | 9662M29G0x | 9693M04P0x | L50514P0x |
| 9346M80P0x | 9686M44P0x | 9693M05P0x |  |
| 9602M47P0x | 9686M60G0x | 9693M48P0x |  |
| 9645M84P0x | 9686M61Pxx | 9693M49P0x |  |
| 9645M92P0x | 9686M62Pxx | 9693M57G0x |  |

Cleaning of affected area of serviceable parts

Assembly of engine, use of consumables “included”, transport to site and install into package.

|  |  |  |
| --- | --- | --- |
| Travel hourly charges | 64 | Hours |
| Removal of engine from package | 48 | Hours |
| Teardwon and inspection of #4 bearing area | 280 | Hours |
| Cleaning of various parts | 40 | Hours |
| Assembly of engine prepare to ship | 380 | Hours |
| Installation of engine into package package/startup | 60 | Hours |

**Price is $220,400.00 all inclusive of above.**

1. **Term of Project**

The start date for this activity is to be determined. The duration of the assignment is expected to be approximately 60 days, depending of repair times of individual parts. ProEnergy may offer overhauled, serviceable or new parts in order to reduce the turnaround time to have the turbine back in service.

1. **Terms & Conditions**

This proposal shall be valid for thirty (30) days; provided, however, the obligation to treat this proposal as confidential, and that it cannot be shared with any third party without the prior written consent of ProEnergy, shall survive.

This proposal, and any resulting contract or agreement, shall be subject to the terms and conditions set forth in the attached Supplemental Terms.

1. **Follow Up**

Please contact the following persons at ProEnergy for information regarding this proposal:

Jerry Babic, Director of Aero Depot Solutions or Bob Bosse, VP of Aero Depot Solutions [Jbabic@proenergyservices.com](mailto:Jbabic@proenergyservices.com) [bbosse@proenergyservices.com](mailto:bbosse@proenergyservices.com)

Office: 660.829.5100 Office: 660.829.5100

Cell: 513-520-0101 Cell: 678.938.6294

Fax: 660.829.1160 Fax: 660.829.1160

**Attachment A**

**Supplemental Terms**

These Supplemental Terms complement and are included as part of ProEnergy’s Proposal No. 1512-6457 dated May 1st, 2012 to Derwick, LLC and would be included in any resulting Contract:

1. Terms obligating ProEnergy to accept pre-existing site conditions and drawing specifications shall only apply in the event ProEnergy has actually been to the sight or inspected the drawings prior to commencement of the work.

2. Payment terms are 50% of proposed value at issue of PO, 30% of proposed value at end of job Engine Installed”, and 20% net 30 days after job is complete and all services and parts have been accounted and agreed to by both parties. For invoice payments not received by ProEnergy within 30 days from the date of receipt, a late fee of the lesser of 1 ½ % per month or the highest rate allow by applicable law may be assessed. If Client fails to timely make payment ProEnergy may also suspend or terminate performance of any and all of its work.

3. No retainage will apply in the event ProEnergy is required to post a performance bond. In no event shall retainage exceed 10% of each invoiced amount.

4. Any prohibition on placing a lien on the project by ProEnergy shall be subject to Client fulfilling its payment obligations under the Contract.

5. The parties shall indemnify, defend and hold one other harmless from and against any and all liabilities, claims, demands, suits, losses, damages, costs and expenses (including reasonable attorney fees and court costs) for bodily injury to or death of any third person, or damage to or destruction of any property of third party, caused by any negligent act or omission on the part of the indemnifying party its officers, employees, contractors or agents, except to the extent such liabilities, claims, suits, losses, damages, costs and expenses result from any negligent or willful act or omission on the part of the indemnified party, its officers, employees, contractors or agents.

6. ProEnergy’s obligation to indemnify and protect Client against infringement of third party intellectual property rights is subject to: (i) ProEnergy’s right to settle or defend such claim or seek the right of continued use or modify or replace the infringing work, (ii) only work which is otherwise not provided according to Client’s design or instructions, (iii) the work being used by Client for its intended use under the Contract, and (iv) any work not manufactured or developed directly by ProEnergy will be limited only to the indemnity, if any, of the manufacturer or vendor of said work.

7. ProEnergy shall not be responsible or liable for delays in performance of its obligations under the Contract due to any event of force majeure or any other cause beyond its reasonable control.

8. ProEnergy warrants that its work shall be performed in a competent, diligent and workmanlike manner, of good quality and material, and in compliance with any mutually agreed written instructions or specifications. ProEnergy’s work shall be warranted for a period of one (1) year from the date of completing the work. Any repairs or replacements made to ProEnergy’s work during the warranty period shall be warranted for the remainder of the original warranty term or 90 days, whichever is longer. This provision sets forth the exclusive remedies for all claims based on failure of or defect in the ProEnergy’s work provided under the Contract whether the failure arises before, during or after the warranty period and whether said claim is based on contract, indemnity, warranty, tort (including negligence), strict liability or otherwise. **NO IMPLIED, STATUTORY, OR COMMON LAW WARRANTY OF ANY KIND, INCLUDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, SHALL APPLY.** The duties, liabilities and obligations of ProEnergy do not extend to any repairs, adjustments, alterations, replacements or maintenance that may be required as a result of normal wear and tear, normal degradation in the performance of equipment, or as a result of (a) improper repair or alteration by Client or other persons, (b) misuse, negligence or damage by Client or other persons, (c) excessive operation at peak capacity, frequent starting, type of fuel, detrimental air inlet conditions, or erosion, corrosion or material deposit of fluids. The warranty and remedies are further conditioned upon (i) the proper storage, installation, operation and maintenance of the equipment and conformance with the operation and instruction manuals provided by the suppliers and manufacturers and (ii) repair or modification pursuant to the instructions of the suppliers and manufacturers and as otherwise directed by ProEnergy.

9. Care, custody, control and risk of loss for the work of ProEnergy shall pass to Client upon the earlier of when the work is completed or when it is taken over and used by Client.

10. The total liability of ProEnergy for all claims of any kind, whether based on contract, warranty, tort (including negligence), indemnity, strict liability or otherwise, for any loss or damage arising out of, connected with, or resulting from the Contract or its work shall in no case exceed the total contract price for the work giving rise to such claim plus any insurance proceeds recovered under the coverages furnished by ProEnergy under the Contract. Notwithstanding anything in the Contract or at law to the contrary, ProEnergy shall in no event be liable for exemplary, special, incidental, indirect or consequential damages of any kind including, but not limited to, loss of use, profits or revenue. ProEnergy shall have no liability for its competent performance of instructions given by Client or its personnel or representatives in the event such instructions prove to be defective.

11. ProEnergy will be given at least 10 days advance written notice and an opportunity to cure before Client may terminate the Contract for a breach of any material term of the Contract by ProEnergy.

12. In the event ProEnergy agrees to the payment of liquidated damages (LDs) for unexcused shortfalls in any guaranteed performance or delays in any guaranteed completion date(s) then (i) the payment of LDs shall be Client’s exclusive remedy (ii) the total amount of LDs shall not exceed 10% of the total contract price unless otherwise agreed, and (iii) a corresponding bonus shall be paid by Client to ProEnergy in the event of better than guaranteed performance or early completion by ProEnergy.

13. Any dispute which cannot be settled amicably between the parties under the Contract will be submitted to binding and final arbitration under the Rules of the American Arbitration Associationand such proceeding will be held in a mutually agreeable location.

14. ProEnergy is not responsible for furnishing any performance bonds and builder’s risk or professional liability insurance unless specifically included in its proposal and proposal price.