

## FIRM PROPOSAL

# MICROCLOR<sup>®</sup> ON-SITE HYPOCHLORITE GENERATION SYSTEM FOR KINGSBURY GID, NV



*Microclor<sup>®</sup> MC-40 On-Site Hypochlorite Generation System*

PSI Water Technologies, Inc. File No.: P20-4803 Firm  
CA Contractor's License: #877235

Prepared on: August 20, 2020

### SALES REPRESENTATIVE

UGSI Solutions, Inc.  
Ethan Brooke  
550 Sycamore Drive  
Milpitas, CA 95035  
Tel: (917) 501-7358  
Email: [ebrooke@ugsicorp.com](mailto:ebrooke@ugsicorp.com)

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**IMPORTANT NOTICE:** All the information in this Proposal is confidential and has been prepared for Buyer's use solely in considering the purchase of the Equipment described. Transmission of all or any part of this Proposal to others or use by Buyer for other purposes is unauthorized without Seller's advance written consent.



August 20, 2020

Matt Van Dyne, P.E  
Farr West Engineering

Re: On-Site Hypochlorite Generation System for Kingsbury GID, NV  
PSI Water Technologies, Inc. File No.: P20-4803 Firm

Dear Matt,

Thank you for your interest in PSI Water Technologies, Inc. (PSI), a UGSI Solutions Company. We have prepared this firm proposal for providing one (1) Microclor<sup>®</sup> MC-40 On-Site Hypochlorite Generation System for Kingsbury GID, NV. Our proposal is based on the following design criteria:

Design Criteria

Total Chlorine Demand (Peak), ppd	24
System Rating, ppd	40

Our on-site hypochlorite generation (OSHG) system is a skid-mounted system. It consists of electrolytic cells, a rectifier, brine pump, piping, valves, instrumentation, and controls. Each system is pre-assembled, piped, wired, and factory-tested to facilitate simple installation and start-up at the jobsite. Ancillary equipment necessary to make a complete and functional system includes a hydrogen dilution blower, water softener, water and brine filters, brine tank, hypochlorite storage tank, and metering pump.

A detailed scope of supply and firm price for the complete system is listed in Section 1 of this proposal. Section 3 includes our Terms and Conditions. All pricing is based on our standard system and our Terms and Conditions.

**System Features & Advantages**

The PSI Water Technologies, Inc. Microclor<sup>®</sup> On-Site Hypochlorite Generation System incorporates many features and advantages, including:

- Passive hydrogen removal increases operator safety
- Salt efficiency maximized by variable speed brine pump controlled by current feedback loop
- Constant current reliably achieved using an automated variable speed brine pump
- Advanced electrolytic cell design precludes the need for wet DC cable connections or internal baffles and gasketing
- Skid-mounted unique cell design and union connections allows for simple cell maintenance and replacement
- Reliable performance and robust construction reduces operator attention and lowers maintenance costs
- Pre-assembled, piped, wired, and tested at the factory prior to shipment
- Delivered and installed quickly, with minimal construction and installation cost
- Proven track record supported by years of successful operational experience



We look forward to working with you on this project. If we can be of any further assistance, please do not hesitate to contact me at (917) 501-7358.

Thank you.

Sincerely,

Ethan Brooke  
Regional Sales Manager

Cc: Andrew Lau, PSI Water Technologies, Inc.  
David Shekhtman, PSI Water Technologies, Inc.

**SECTION 1**

**SCOPE OF SUPPLY**

**Microclor<sup>®</sup> On-Site Hypochlorite Generation System**

- A. Scope of Work by PSI Water Technologies, Inc.
- B. Scope of Work by Others
- C. Clarifications/Exceptions
- D. Terms of Sale
- E. Delivery
- F. Warranty

## A. SCOPE OF WORK BY PSI WATER TECHNOLOGIES, INC.

The following equipment and services are included in our scope of work. All equipment will be manufactured in accordance with the descriptions below.

<u>No</u>	<u>Item Description</u>	<u>Qty.</u>
1.	<b>Microclor® MC-40 On-Site Hypochlorite Generation System Skid-Mounted, Pre-Assembled, Piped, Wired, and Factory-Tested,</b> including: <ul style="list-style-type: none"> <li>▪ 20 ppd Electrolytic Cell (Qty. 2)</li> <li>▪ Stainless Steel Brine Gear Pump with Integral Speed Control</li> <li>▪ Water and Brine Rotameters</li> <li>▪ Analog Water Flow Sensor</li> <li>▪ Optical Level Switch (Qty. 2)</li> <li>▪ Temperature Switch (Qty. 1)</li> <li>▪ Temperature Sensor</li> <li>▪ Water and Brine Makeup Solenoid Valves</li> <li>▪ 304 Stainless Steel, Electropolished Open Frame Equipment Skid</li> </ul>	1
2.	<b>Skid-Mounted Transformer Rectifier,</b> including: <ul style="list-style-type: none"> <li>▪ NEMA 3R Enclosure – 304 Stainless Steel Construction</li> <li>▪ 4.8 kVA Step-Down Transformer – 120 VDC @ 40 ADC</li> <li>▪ DC Bridge Rectifier with Diode Assemblies and Aluminum Heat Sink with Cooling Fan</li> <li>▪ DC Current Transducer</li> <li>▪ Panel-Mounted Disconnect Switch</li> </ul>	1
3.	<b>Skid-Mounted Electrical Control Panel,</b> including: <ul style="list-style-type: none"> <li>▪ NEMA 4X Enclosure – 304 Stainless Steel Construction</li> <li>▪ Allen-Bradley MicroLogix 1400 Programmable Logic Controller with Ethernet Communication</li> <li>▪ 6" Color Touchscreen HMI</li> <li>▪ 24 VDC Power Supply</li> <li>▪ Emergency Stop Pushbutton</li> <li>▪ Panel-Mounted Disconnect Switch</li> <li>▪ Current Sensor</li> </ul>	1
4.	<b>Hydrogen Dilution Blower,</b> including: <ul style="list-style-type: none"> <li>▪ Volumetric Flow Rate: 163 cfm</li> <li>▪ Static Pressure: 3.19"</li> <li>▪ TEFC Motor</li> <li>▪ Air Flow Sensor Assembly</li> </ul>	1
5.	<b>Cartridge Filters</b>	3
6.	<b>Dual Tank Water Softener</b> <ul style="list-style-type: none"> <li>▪ Kinetico Model CC 208s</li> </ul>	1

<u>No</u>	<u>Item Description</u>	<u>Qty.</u>
7.	<b>Manufacturer's Field Services (3 Days at the Jobsite), including:</b> <ul style="list-style-type: none"> <li>▪ Installation Inspection</li> <li>▪ System Start-Up</li> <li>▪ Operator Training</li> </ul>	Included
8.	<b>Submittal and Operation &amp; Maintenance Manual as Follows</b> <ul style="list-style-type: none"> <li>▪ Submittal: Sent Electronically</li> <li>▪ O&amp;M Manual: Sent Electronically</li> </ul>	Included
9.	<b>FOB Factory, Milpitas, CA with Full Freight Allowed to Jobsite, Kingbury GID, NV</b>	Included
	<b>FIRM PRICE [ITEMS 1-9]</b>	<b>[US]\$80,000</b>

## **B. SCOPE OF WORK BY OTHERS**

1. **Brine storage tank and level controls (pre-existing).**
2. **Hypochlorite storage tank and level controls (pre-existing).**
3. **Hypochlorite dosing assembly and controls (pre-existing).**
4. **Hydrogen detector (pre-existing).**
5. **Acid cleaning system.**
6. **Any necessary heat exchangers.**
7. Equipment unloading and installation.
8. All civil works and concrete pad for equipment.
9. Any underground or structural work.
10. Anchor bolts and seismic restraints.
11. All interconnecting piping, including between brine tank, OSHG skid, hypochlorite tank, metering pumps and accessories, and point of hypochlorite injection.
12. Water supply piping to water connection- **1" at 50-80 psi.**
13. Valves, fittings, appurtenances not specifically listed under Scope of work by PSI Water Technologies, Inc.
14. Heat tracing and insulation of all interconnecting piping, if required.
15. Electrical power to control panel (120/208-240V/1Ph/60Hz for 30A) and transformer rectifier (240V/1Ph/60Hz for 50A).
16. All power and control/signal, electrical conduit, wiring, electrical material, etc., including terminations, between control panel, brine tank, OSHG skid, hypochlorite tank, metering pumps, SCADA, etc.
17. Room ventilation, air conditioning, or lighting.
18. Any video recording.
19. All taxes, fees, lien waivers, bonds and licenses.
20. Any permitting or regulatory approvals.
21. Any items not explicitly listed under Scope of Work by PSI Water Technologies, Inc.

### **C. CLARIFICATIONS/EXCEPTIONS**

1. Water to Generator must be Potable, 50 PSI and 55 – 78 Deg F.
2. A heat exchanger of minimum 0.4 GPM flow rate is needed if incoming water to generator is below 55 Deg F.
3. The Microclor® shall generate an aqueous solution of a minimum concentration of 0.7 percent ( $\pm 0.05\%$ )

### **D. TERMS OF SALE**

- Twenty Percent (20%) Payment Invoiced on Approved Submittals
- Eighty Percent (80%) Payment Invoiced on Delivery of Equipment
- Net 30 Days
- Price Valid for 90 Days

### **E. DELIVERY**

- Design Submittal: 4 - 6 Weeks After Receipt of Fully Executed Order
- Equipment Shipment: 8 - 10 Weeks After Approval of Submittals

### **F. WARRANTY**

- PSI warrants all the principal components of the system, including electrolytic cells and cell bodies, for 3 years, and all other equipment supplied for 1 year, in each case per PSI's standard warranty terms which are attached and incorporated herein. PSI's warranty on the electrolytic cells and cell bodies will continue on a prorated basis for years 4 through 7 per the same terms.





**SECTION 2**

**PROPOSAL ACCEPTANCE**



**Microclor® On-Site Hypochlorite Generation System**  
 PSI Water Technologies, Inc. File No.: P20-4803 Firm

- 1) PSI Water Technologies, Inc. (Seller) proposes to furnish the equipment described in this proposal. Any items not shown above as detailed under "SCOPE OF WORK BY PSI WATER TECHNOLOGIES, INC." are EXCLUDED. In addition:
  - a. Seller's price will be held valid for a period of 90 days from the date of this proposal ("Proposal Date"). Seller shall have the right to reprice this proposal if the Buyer's order is received more than 90 days beyond the Proposal Date or delivery more than 365 days after commercial agreement.
  - b. Prices are in US Dollars.
  - c. Local or state taxes are not included in this proposal.
- 2) This proposal by Seller is contingent upon: (i) Seller's written acceptance of the signed proposal, a purchase order, or other document issued by the Buyer in response to this proposal; and (ii) Buyer's assent to the terms and conditions contained in this proposal, such terms to take precedence in the event of conflict with any other terms or documents incorporated into the contract arising out of this proposal unless otherwise agreed in a writing, signed by Seller; and (iii) satisfactory completion of an anti-corruption due diligence review, if applicable.
- 3) All of the information supplied by Seller in connection with this proposal (including drawings, designs and specifications) (the "Information") is confidential and/or proprietary and has been prepared for Buyer's use solely in evaluating the purchase of the equipment and/or services described herein. Transmission of all or any part of the Information to others, or use by Buyer for any purpose other than such evaluation, is expressly prohibited without Seller's prior written consent.
- 4) Please return a signed copy of this proposal or address and send your purchase order to:
 

PSI Water Technologies, Inc.  
 550 Sycamore Drive  
 Milpitas, CA 95035  
 Attn: Guy Chadwell  
 Phone: 408.370.6540  
 Fax: 408.866.4660  
 E-mail: gchadwell@ugsicorp.com

Thank you for your interest in PSI Water Technologies, Inc. We are committed to meeting your expectations.

**Proposal Acceptance**

An authorized signature indicates Buyer's acceptance of this proposal, including without limitation Seller's Terms and Conditions below.

\_\_\_\_\_  
**Company Name**

\_\_\_\_\_  
**Buyer's Name (printed)**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Buyer's Authorized Signature**

\_\_\_\_\_  
**Requested Arrival Date**

<b>Bill To Name:</b> _____	<b>Ship To Name:</b> _____
<b>Bill To Email:</b> _____	<b>Ship To Email:</b> _____
<b>Bill To Phone:</b> _____	<b>Ship To Phone:</b> _____
<b>Bill to Address:</b> _____	<b>Ship to Address:</b> _____
_____	_____
<b>City</b> <b>State</b> <b>Zip</b>	<b>City</b> <b>State</b> <b>Zip</b>



**SECTION 3**

**TERMS AND CONDITIONS**



## Microclor® On-Site Hypochlorite Generation System

**1. Applicable Terms.** PSI Water Technologies, Inc. (“Seller”) will sell, and the buyer (“Buyer”) will purchase, the products and/or services referred to in Seller’s proposal or quotation (collectively, the “Products”), subject to these terms and conditions, including the Warranty Attachment hereto (the “Warranty Attachment”, and such Warranty Attachment, together with these Terms and Conditions, being referred to herein as the “Terms”). The front page of Buyer’s purchase order (disregarding any reference to terms and conditions and any provisions that conflict with the Terms), if any, together with the description of the Products in Seller’s proposal or quotation and the Terms, constitute the complete and exclusive agreement between the parties related to the purchase and sale of the Products (the “Agreement”). All prior communications, documents, negotiations and representations, if any, are merged herein. Whether the Terms are included in an offer or an acceptance by Seller, such offer or acceptance is conditioned on Buyer's assent to the Terms. Any additional, different or conflicting terms contained in Buyer's request for proposal, specifications, purchase order or any other written or oral communication from Buyer shall not be binding in any way on Seller, whether or not they would materially alter this document, and Seller hereby objects thereto. All orders are subject to prior credit approval by Seller.

**2. Pricing.** The prices shall be as stated in Seller's proposal or order acknowledgment.

**3. Payment.** Unless otherwise stated, all payments shall be net 30 days from invoice date payable in United States Dollars. Unless provided otherwise in Seller’s proposal, 20% of the purchase price will be invoiced on approved submittals, and 80% will be invoiced on shipment. If Buyer fails to make any payment to Seller when due, Buyer's entire account(s) with Seller will become immediately due and payable without notice or demand. Buyer will pay 1½% interest per month, compounded monthly, on all amounts not received by the due date. Buyer hereby grants Seller a purchase money security interest in the Products until such time as Seller is fully paid. Buyer will assist Seller in taking action to perfect and protect Seller's security interest. Seller may make partial shipments, in which case, Buyer shall pay for each shipment in accordance with the terms hereof.

**4. Taxes, Shipping, Packing** Except to the extent expressly stated otherwise in Seller’s proposal, prices do not include any freight, storage, insurance, taxes, excises, fees, duties or other government charges, and Buyer shall pay such amounts or reimburse Seller for any such amounts Seller pays. If Buyer claims a tax or other exemption or direct payment permit, it shall provide Seller with a valid exemption certificate or permit and indemnify, defend and hold Seller harmless from any taxes, costs, and penalties arising out of same. Prices include the costs of Seller's standard domestic packing only. Any deviation from standard packing (domestic or export) shall result in extra charges. Any and all increases, changes, adjustments, or surcharges (including fuel surcharges) which may arise in connection with the freight charges, rates or classification included as part of the Agreement, shall be for the Buyer’s account.

**5. Delivery.** Products shall be delivered F.O.B. Seller's point of shipment. All delivery dates are estimated and are dependent in part upon prompt receipt of all necessary information from Buyer, including submittal approvals, if applicable, and all required commercial documentation. Seller will make a good faith effort to complete delivery of the Products on the date and to the location specified in writing by Buyer, but Seller assumes no liability for loss or damage due to delay or inability to deliver, whether or not such loss or damage was made known to Seller. If Buyer causes or requests a shipment delay, or if Seller ships or delivers the Products erroneously as a result of inaccurate, incomplete or misleading information supplied by Buyer or its agents or representatives, storage and all other additional costs and risks will be borne solely by Buyer. Any claims for Products damaged or lost in transit (“Transit Losses”) must be made by Buyer to the carrier and reported to Seller within one business day following delivery to Buyer.

**6. Inspection and Acceptance.** Buyer will have seven days from the date Buyer receives any Products to inspect such Products for defects and nonconformance which are not due to Transit Losses, and to notify Seller, in writing, of any defects, nonconformance or rejection of such Products. After such seven-day period, Buyer will be deemed to have irrevocably accepted the Products, if not previously accepted. After such acceptance, Buyer will have no right to reject or revoke acceptance of the Products for any reason; provided that Buyer retains all rights in respect of the warranties in, or referred to in, Section 9 below.



**7. Returns and Cancellation.** Buyer may not return custom engineered Products. Buyer may return other Products only with Seller's prior written approval, which may be withheld in Seller's sole discretion. Any authorized return will be subject to payment of a restocking charge and will be allowed only if the subject Product: (i) is in new condition, suitable for resale, and (ii) has not been used, installed, modified, altered or damaged. The restocking charge for authorized returns will be no less than (x) 25% of the purchase price, net of any freight charges included in the purchase price, plus (y) 100% of freight costs incurred by Seller. Buyer is responsible for the payment or reimbursement of return freight charges. Returns will be shipped F.O.B. Seller's location. Seller may, but will not be obligated to, treat any cancellation of an accepted order as an authorized return.

**8. Force Majeure.** Seller will have no liability for any breach caused by extreme weather or other act of God, strike or other labor shortage or disturbance, fire, accident, war or civil disturbance, delay of carriers, failure of normal sources of supply, act of government, epidemic or other public health crisis, or any other cause beyond Seller's reasonable control.

**9. Warranty.** Seller warrants the principal components of the Microclor® system identified on the Warranty Attachment as set forth on such Warranty Attachment. Seller warrants that all other Products will be free from defects in material and workmanship for 12 months from initial operation or 18 months from shipment, whichever is earlier (the "Warranty Period"). Seller's warranties are conditioned on (i) the Product being stored, installed, started-up, operated and maintained in accordance with Seller's instructions; (ii) no repairs, modifications or alterations being made to the Product other than by Seller or its authorized representatives; (iii) Buyer providing prompt written notice of any warranty claims within the Warranty Period; (iv) Seller's verification of the claimed breach of warranty; and (v) at Seller's discretion, Buyer either removing and shipping the Product or non-conforming part thereof to Seller, at Buyer's expense, or Buyer granting Seller access to the Product at all reasonable times and locations to assess the warranty claims. Seller's warranties do not apply to software and do not cover ordinary wear and tear.

If the claimed breach of warranty is verified by Seller, then, as the sole and exclusive remedy of Buyer or the initial end-user of the Product, Seller will, at Seller's sole option (a) repair the applicable Product or component free of charge, or (b) replace the applicable Product or component free of charge F.O.B. Buyer's facility. The warranty on repaired or replaced Products or component parts is limited to the remainder of the original Warranty Period. Buyer shall be responsible for (x) any labor required to gain access to the Product or component or so that Seller can assess the available remedies; and (y) all costs of installation of repaired or replacement Products or components.

THE WARRANTIES SET FORTH IN THIS SECTION 9 AND IN THE WARRANTY ATTACHMENT ARE INTENDED TO BE SELLER'S SOLE AND EXCLUSIVE WARRANTIES WITH RESPECT TO THE PRODUCTS AND SELLER'S WARRANTIES ARE SUBJECT TO SECTION 10 BELOW. SELLER MAKES NO OTHER WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, WITH RESPECT TO THE PRODUCTS, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR PURPOSE, OR ANY WARRANTIES THAT MIGHT ARISE FROM COURSE OF DEALING OR USAGE OF TRADE. NOTWITHSTANDING THE FOREGOING, IF IT IS ALLEGED OR DETERMINED THAT SELLER HAS MADE ANY OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BY COURSE OF DEALING OR USAGE OF TRADE, SUCH OTHER WARRANTIES SHALL BE SUBJECT TO ALL THE CONDITIONS, LIMITATIONS AND PROCEDURES SET FORTH IN THIS SECTION 9, THE WARRANTY ATTACHMENT, AND SECTION 10 BELOW.

**10. LIMITATION OF LIABILITY.** NOTWITHSTANDING ANYTHING ELSE TO THE CONTRARY, SELLER WILL NOT BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, SPECIAL, PUNITIVE OR OTHER INDIRECT DAMAGES, AND SELLER'S TOTAL LIABILITY ARISING AT ANY TIME FROM THE SALE OR USE OF THE PRODUCTS WILL NOT EXCEED THE PURCHASE PRICE PAID FOR THE PRODUCTS. THESE LIMITATIONS APPLY WHETHER THE LIABILITY IS BASED ON CONTRACT, TORT, STRICT LIABILITY OR ANY OTHER THEORY. THE REMEDIES SET FORTH IN THIS AGREEMENT ARE INTENDED TO CONSTITUTE A COMPLETE ALLOCATION OF THE RISKS BETWEEN THE PARTIES, AND BUYER ACKNOWLEDGES THAT IT IS KNOWINGLY LIMITING THE REMEDIES THAT MIGHT OTHERWISE BE AVAILABLE TO BUYER. BECAUSE THIS AGREEMENT AND THE PRICE PAID REFLECT SUCH ALLOCATION, THE REMEDIES PROVIDED TO BUYER HEREUNDER WILL NOT HAVE FAILED OF



THEIR ESSENTIAL PURPOSE EVEN IF THEY OPERATE TO BAR RECOVERY FOR CERTAIN DAMAGES THAT BUYER MAY INCUR.

**11. Remedies of Seller.** Any of the following will constitute an event of default which will enable Seller, at its option and without liability to Buyer, to cancel any unexecuted portion of the order that is the subject of this Agreement and to exercise any other right or remedy expressed herein or otherwise available at law or in equity: (i) the failure of Buyer to make any payment required hereunder when due ("Payment Default") or to perform any other term or condition contained herein; (ii) the insolvency of Buyer or its failure to pay its debts as they mature, an assignment by Buyer for the benefit of its creditors, the appointment of a receiver for Buyer or for the materials covered by this Agreement, or the filing of any petition to adjudicate Buyer bankrupt; (iii) a failure by Buyer to provide adequate assurance of performance within ten days after a justified demand by Seller; or (iv) if Seller, in good faith, believes that Buyer's prospect of performance under this Agreement is impaired. Seller's obligations under Section 9 hereof and the Warranty Attachment will be suspended during the pendency of any Payment Default. No such suspension will extend Seller's obligations under Section 9 or the Warranty Attachment beyond the period provided therein. Seller's election of any remedy in the event of a default by Buyer will not preclude Seller from exercising any other remedy available to Seller hereunder or at law or in equity for the same or any other default. In the event it becomes necessary to incur any expense for collection of any overdue account, Seller's collection charges, including attorneys' fees and expenses, will be added to the balance due and Buyer will pay all such charges together with interest thereon from the date incurred in accordance with Section 3.

**12. Equal Employment Opportunity.** Seller is an equal opportunity employer. The parties shall, as applicable, abide by the requirements of 41 CFR 60-1.4(a), 41 CFR 60-300.5(a), 41 CFR 60-741.5(a) and Executive Order 13496 (29 CFR Part 471, Appendix A to Subpart A) (relating to the notice of employee rights under federal labor laws), and these laws are incorporated herein by reference.

**13. Export Compliance.** Buyer acknowledges that Seller is required to comply with applicable export laws and regulations relating to the sale, exportation, transfer, assignment, disposal, and usage of the Products provided under the Agreement, including any export license requirements. Buyer agrees that such Products shall not at any time directly or indirectly be used, exported, sold, transferred, assigned, or otherwise disposed of in a manner which will result in non-compliance with such export laws and regulations. It shall be a condition of the continuing performance by Seller of its obligations hereunder that compliance with such export laws and regulations be maintained at all times. BUYER WILL INDEMNIFY, DEFEND AND HOLD SELLER HARMLESS FROM ANY AND ALL COSTS, LIABILITIES, PENALTIES, SANCTIONS AND FINES RELATED TO NON-COMPLIANCE WITH APPLICABLE EXPORT LAWS AND REGULATIONS.

**14. Miscellaneous.** No part of this Agreement may be changed or cancelled except by a written document signed by Seller and Buyer. As used in this Agreement, "including" and its variants mean "including without limitation" and its variants. No course of dealing or performance, usage of trade, or failure to enforce any term will be used to modify the Agreement. Buyer acknowledges that it has not relied upon any letters of intent, agreements, promises, negotiations, statements or representations other than those expressly set forth in this Agreement and that no such extraneous document or other communication shall be of any force or effect. Buyer agrees and warrants that in entering into this Agreement, Buyer is relying solely upon the information contained in this Agreement and not in reliance upon any other information. If any of the Terms is unenforceable, such Term will be limited only to the extent necessary to make it enforceable, and all other Terms will remain in full force and effect. Buyer may not assign this Agreement without Seller's prior written consent. This Agreement will be governed by the laws of the State of California without regard to its conflict of laws provisions. The application of the United Nations Convention on Contracts for the International Sale of Goods is excluded. Any bond issued by Seller in connection with the sale of the Products shall remain in effect for a maximum of two (2) years after acceptance of the Products, and the only warranty, guaranty or Product performance obligations covered thereby shall be those at Section 9 above and in the Warranty Attachment. All Product performance obligations of Seller are contingent on the design criteria and the condition of the influent and the raw materials being as specified by Seller and will be considered satisfied and discharged upon successful completion of the initial Product performance testing. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ITS RIGHT TO TRIAL BY JURY IN RESPECT OF ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING IN CONNECTION WITH THE TRANSACTION CONTEMPLATED HEREBY.



**WARRANTY ATTACHMENT  
FOR  
MICROCLOR® ON-SITE HYPOCHLORITE SYSTEM COMPONENTS**

**I. Incorporation and Definitions.** This Warranty Attachment is incorporated into, and made a part of, the PSI Water Technologies, Inc. Terms and Conditions (the “Terms and Conditions”). All capitalized terms used in this Warranty Attachment have the meanings assigned to them in the Terms and Conditions. This Warranty Attachment sets forth Seller’s warranty with respect to the following principal components of the Microclor® onsite sodium hypochlorite system supplied by Seller (the “System”): electrolytic cells (including electrolytic cell bodies, the “Electrolytic Cells”), brine pump, rectifier, rotometers installed on the generator skid, Microclor control panel, and the master panel for the Microclor skids (the “Principal Components”). All other components of or accessories to the System are covered by the warranty set forth in Section 9 of the Terms and Conditions.

**II. Warranty Statement.**

A. *Basic Warranty.* Seller warrants for a period of 36 months from the date of start-up of the System, or 42 months from the date of shipment of the Principal Components, whichever is earlier (the “Basic Warranty Period”), that the Principal Components will be free from defects in material and workmanship (the “Basic Warranty”).

If the claimed breach of warranty is verified by Seller, then, as the sole and exclusive remedy of the Buyer or the end-user of the System (the “Customer”) for breach of the Basic Warranty, Seller will, at Seller’s sole option (i) repair the defective Principal Component free of charge, or (ii) replace the applicable Principal Component free of charge F.O.B. Customer’s facility. The warranty on repaired or replacement Principal Components is limited to the remainder of the Basic Warranty Period; provided, however, that any repaired or replacement Electrolytic Cells will be eligible for coverage under the Extended Warranty set forth below.

B. *Pro-Rated Warranty for Electrolytic Cells.* In addition to the Basic Warranty set forth above, Seller warrants for a period of 48 months commencing at the end of the Basic Warranty Period (the “Extended Warranty Period”), that the Electrolytic Cells will be free from defects in material and workmanship (the “Extended Warranty”). If the claimed breach of warranty is verified by Seller, then, as Customer’s sole and exclusive remedy for the breach of the Extended Warranty, Seller will, at Seller’s sole option (i) repair the defective Electrolytic Cell free of charge, or (ii) replace the defective Electrolytic Cell subject to Customer’s payment of Customer’s prorated share of the Cell Replacement Price (as defined below). Cell Replacement Price means the price for an Electrolytic Cell at the time of replacement. The prorated amount to be paid by Customer for replacement of an Electrolytic Cell during the Extended Warranty Period shall be calculated as follows:

[Number of full months (but not to exceed 84) elapsed since the commencement of the Basic Warranty Period ÷ 84] × Cell Replacement Price

The warranty on repaired or replacement Electrolytic Cells is limited to the remainder of the Extended Warranty Period.

C. *Warranty Conditions.* The warranties in this Part II are subject to all of the provisions, and to compliance with the warranty claim procedure, set forth below.

**III. Conditions and Limitations of Seller’s Warranties.**

A. Seller’s warranties:

- (i) apply only when the Principal Components are handled, stored, and tested in accordance with Seller’s written guidelines; and
- (ii) are conditioned upon Seller’s verification of the claimed breach of warranty.

B. Seller is not responsible for any costs incurred in connection with the removal or reinstallation of Principal Components or for costs incurred by Customer to enable Seller to gain access to the Principal Components to be repaired or replaced.

C. Seller reserves the right to test the allegedly defective Principal Component on the premises of Customer or to request the Customer to perform such inspections or tests and forward the results thereof to Seller.

D. Seller's warranties shall be null and void if Customer fails or refuses to fully disclose to Seller the conditions of the influent to, or use and operating parameters of, the System.

**IV. Exclusions from Seller's Warranties.** Seller's warranties do not cover and Seller will not be liable for:

A. Any defect or failure caused by faulty installation (if installation is not performed by Seller), misapplication, misuse, failure to maintain or operate the Products in accordance with the Seller's instructions or guidelines, accident, or tampering.

B. Accidental and/or external caused damages and damages caused by improper use, including but not limited to damage caused by operation and/or exposure of the Products to conditions outside of the instructions and conditions listed in the O&M Manual, Seller's product datasheets, or in the project specifications.

C. Expendable parts and components other than Electrolytic Cells (e.g., spacers, gaskets, mechanical fasteners).

D. Any defects or faults caused by, or resulting from, inaccurate or incomplete operating process information / process operating parameters, or work performed by Customer or its employees or agents.

E. Any damage due to continued operation after discovery of an alleged defect.

F. Any damage or operational deficiency caused by the existence or occurrence of any of the following conditions:

(i) Failure of the raw water supply to the water softener to be potable.

(ii) Exposure of the System or the Principal Components to ambient air temperatures outside the range of 35°F - 90°F.

(iii) Exposure of the System or the Principal Components to the elements or other harmful site-related environmental conditions, including without limitation rain, direct sunlight, coastal atmospheric conditions, and corrosive chemicals or agents.

(iv) Use of salt that does not meet Seller's specifications.

(v) Unauthorized repairs, modifications, or alterations to the System or Principal Components or to the PLC program.

**V. Warranty Claim Procedure.** Before returning any Principal Component to Seller for warranty examination, whether under the Basic Warranty or the Extended Warranty, Seller must be contacted to obtain return authorization. Any Principal Component shipped to Seller's facility without return documentation will be returned to shipper unopened, freight collect. The following procedure shall be followed to determine warranty protection:

A. Customer shall send a written notice to Seller within a reasonable period following discovery of the alleged defect and in any case within 30 days following the end of the applicable warranty period or else the claim is waived.

B. Customer shall submit all relevant operating data requested by the Seller within a reasonable period of time following Seller's request.





- C. The Seller will be provided a reasonable time to review the data and make initial recommendations in writing for further evaluation of the claim.
- D. Customer will make all reasonable efforts to execute and implement the Seller's recommendations and collect, record, and submit all relevant data resulting from these recommendations.
- E. In the event Seller's initial recommendations do not address and solve the warranty issues, Customer will grant Seller access to the System and the Principal Components and a reasonable period of time to perform inspection, testing and evaluation of System and Principal Component conditions and performance or Customer will perform such inspections or tests as Seller shall request and forward the results thereof to Seller.
- F. In the event Seller's recommendations solve the warranty issues, the warranty claim will be deemed resolved and withdrawn.
- G. If Customer fails to follow Seller's recommendations, the warranty claim will be deemed resolved and withdrawn.
- H. Upon Seller's request, any allegedly defective Principal Component shall be returned to Seller at Customer's expense, as applicable. Reasonable, documented return freight cost will be reimbursed by Seller if a covered warranty defect is confirmed.

**VI. Customer's Responsibilities.** Customer shall ensure that operation, maintenance and performance data for the System and Principal Components are routinely recorded in a systematic format. Such information shall be made available to Seller in the event a claim is made against Seller pursuant to the foregoing warranties. Failure to maintain or supply such information shall invalidate the Basic and Extended Warranties.

**VII. Payment for Non-Warranty Services and Products.** If the Principal Component failure is determined to be from a cause other than breach of warranty or is not covered by Seller's warranties for any of the reasons set forth above or otherwise, Customer shall pay to Seller a fee of \$1,500 per day plus direct travel expenses incurred by Seller's employees in connection with any inspection, testing or repair of such Principal Component on Customer's premises. Principal Components shipped to Seller for warranty examination must be shipped freight prepaid, such freight to be reimbursed if a covered warranty defect is confirmed. Principal Components examined as part of a warranty claim which are found not to be defective will be returned to Customer freight collect.