

October 19, 2017

City of San Luis, AZ
Public Works Department
1090 E Union Street
PO Box 3750
San Luis, AZ 85649

Attention: Manuel Rojas, CPM

RE: City of San Luis Manganese Treatment System Vessel Replacements Sites 3, 4, & 6
Updated 10-11-2017

Dear Mr. Rojas:

Layne Christensen Company (Layne) has received your request for replacement vessels and installation of media (customer provided) and vessels for Treatment Site 3. Similarly, for the existing filter vessels at Treatment Sites 4 & 6 replacement vessels, media and installation of media and vessels. However, prior to installation, media removal will need to be performed at Treatment Sites 4 & 6, of which the City of San Luis has agreed to provide vacuum truck services and disposal of media services.

Thank you for the opportunity to provide the City of San Luis with this subject proposal. Pursuant to recent communications wherein Layne has received the City's approval to proceed with Layne to provide the subject equipment and services, we customarily review our scope and pricing after the validity period expires as was the case here. In addition to a few services and equipment components escalating, we additionally discovered an arithmetic error was carried across one of the cells in the estimating spread sheet. This error incorrectly totaled the line item cost for the filter vessels for well site 4. The value for these vessels represents a substantial portion of the equipment costs in this scope of work. Layne greatly regrets the inconvenience and misrepresentation that was propagated to the City of San Luis. Pursuant to this error and review of costs over the elapsed costs since initially proposed, Layne provides this updated scope of work and pricing.

The updated price represents a total final net price of \$231,460.00.

Again we sincerely apologize and regret this error. That said, we searched for ways and means to reduce this total impact and were able to pass along some vendor price concessions which are also reflected above.

Our updated proposal is for nine (9) replacement vessels; Three per site and media for two sites (installation at all three sites). The size of the vessels varies per site, namely consisting of three (3) 48" diameter vessels at Site 3, three (3) 66" diameter vessels at Site 4, with media replacement, and three (3) 72" diameter vessels at Site 6, with media replacement.

WATER RESOURCES

The Layne provided replacement media will be LayneOx and gravel (same as existing). All of the vessels are ASME code vessels and are to be replaced “like in kind”. The existing vessels had exhibited pin-hole corrosion and appeared to contain sand which potentially had served as an abrasion to the lining system causing premature failure. As a result an NSF abrasive resistant lining is suggested to provide for longevity of service.

After the site inspection visit (conducted in May of 2017), our assessment of the existing site conditions takes into consideration expected efforts to complete the replacement. Accordingly, our estimate includes the approximate labor and additional costs to replace the vessel on-site and to install the vessels in their place at each of the three targeted treatment sites. It is our understanding that San Luis will have responsibility directly for media removal and disposal. Replacement media is for Treatment Sites 4 and 6 only (no media removal handling at Treatment Site 3 required). Should unknown or unforeseen circumstances or conditions arise, additional costs may occur.

Thank you for the opportunity to provide you with this proposal and, please do not hesitate to call our office if you have any questions or need more information regarding this scope of work.

Regards,

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Project Engineer

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WATER RESOURCES

I. SCOPE OF SUPPLY

The Water Technologies Group within the Water Resources Division of Layne is pleased to furnish replacement services with the following items and/or services included in our scope of work:

- a) Treatment Site 3 - Three (3) pressure filters, 48" diameter x 60" straight shell, carbon steel construction, designed to a maximum allowable working pressure of 75 PSIG. Vessels shall be lined with an abrasive resistant NSF approved lining. Exterior coating of the vessel to match existing original paint color.
- b) Treatment Site 4 - Three (3) pressure filters, 66" diameter x 60" straight shell, carbon steel construction, designed to a maximum allowable working pressure of 75 PSIG. Vessels shall be lined with an abrasive resistant NSF approved lining. Exterior coating of the vessel to match existing original paint color. Filter vessel support gravel to cover the lower hub and lateral distributor and & 36" bed depth of LayneOx media per vessel. Filter media will be shipped loose to be installed on site.
- c) Treatment Site 6 - Three (3) pressure filters, 72" diameter x 60" straight shell, carbon steel construction, designed to a maximum allowable working pressure of 75 PSIG. Vessels shall be lined with an abrasive resistant NSF approved lining. Exterior coating of the vessel to match existing original paint color. Filter vessel support gravel to cover the lower hub and lateral distributor and & 36" bed depth of LayneOx media per vessel. Filter media will be shipped loose to be installed on site.
- d) Each size vessel will be supplied with ASME code calculations.

Engineering Services, Start-Up, and Installation

- e) One (1) trip with up to five (5) consecutive 8-hour days, of field technical service.
- f) Expected and estimated installation services include:
 - a. Delivery and off-loading of filter vessels at each site.
 - b. Labor to remove old tanks, install new tanks and test the filter system. Labor is estimated to consist of five (5) ten-hour days per site, including crane operator and helper per site.
 - c. Replacement hardware and gaskets as needed at vessel flange faces.
 - d. Labor to replace media in vessels at sites 4 & 6.
 - e. Labor to install customer supplied media in vessels at site 3.

WATER RESOURCES

II. PRICE

The proposed sale price of the vessels, media and installation services is \$231,460.00. Please also note the items listed as exclusions below.

The terms of payment for the proposed equipment and services are as follows:

- 75% with purchase order
- 25% after start-up assistance

III. ADDITIONAL FIELD SERVICES

The following rates will apply for any field work performed in addition to or not outlined in the above scope of supply.

1) Field Service Engineer:

- a. daily rate: \$1,200 per day on-site
- b. expenses: cost of travel and expenses plus 20%

IV. EXCLUSIONS

The following items and/or services are not included in Layne Water Technologies' scope of work:

- Field services of any kind, except as noted above.
- P.E. services of any kind, except as noted above.
- Design, supply, or installation of anchor bolts, except as noted above.
- Electrical wiring or conduit of any kind, except as noted above.
- Piping or pipe fittings, hardware and gaskets, except as detailed above.
- Removal and Disposal of spent media.
- Field painting of any kind.
- Disinfection chemicals and disinfection labor.
- Water for backwashing of new media or holding tanks for backwash waste water.
- Permits of any kind apart from vehicle permits for Layne supplied equipment.
- Motor starters and motor control centers, except as noted above.
- Bonding of any kind.
- Taxes of any kind.
- Any items or services not listed above as part of this proposal.

V. CLARIFICATIONS AND EXCEPTIONS

WATER RESOURCES



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- 1) Customer to provide for access to treatment sites during hours of installation for the installation period. Estimated work to transpire for 10 hours per day for 5 days per treatment site. Site access is expected to include suitable level ground for crane loading and lifting of replacement vessels and removal of existing vessels.
- 2) It is anticipated that the treatment vessels will be installed in successive order.

Please refer to our two (2) page Standard Terms and Conditions of Sale attached, which are a part of this proposal. This proposal and the attached Standard Terms and Conditions of Sale cannot be modified in any way except by the express written permission of Layne. Price quoted will remain valid for 30 days from quotation date.

Our standard delivery terms for the vessels are: shipment - 10 to 12 weeks after receipt of fully executed purchase order excluding holidays. All delivery estimates are approximate. Layne will work with you to meet your specific delivery requirements. All deliveries, including estimated time of arrival of equipment on site, are approximate and cannot be guaranteed. Freight carriers are not under Layne's control and are subject to unpredictable delays. Layne will not accept any back charges due to shipments arriving at times other than the estimated time. This includes, but is not limited to, consequential damages, costs of delay, standby charge for equipment or personnel, etc.

WATER RESOURCES

LAYNE CHRISTENSEN COMPANY – WATER TREATMENT DIVISION

STANDARD TERMS AND CONDITIONS OF SALE

ACCEPTANCE:

Sale of any products or services (hereafter, the “Products”) by Layne Christensen Company – Water Treatment Division (“Seller”) to Purchaser shall be subject to the terms and conditions of sale contained herein. No change in or addition to these terms shall be binding upon Seller unless specifically accepted in writing by Seller. Seller objects in advance to any additional or different terms proposed in Purchaser’s order.

PRICING:

Prices shall be Seller’s price in effect at time of shipment unless otherwise specified in Seller’s written quotation. Quotations automatically expire 30 calendar days from quotation date and may be canceled at any time by written notice.

FORCE MAJEURE LIMITATION:

Seller shall not be liable for any loss, damage or expense resulting from delay or failure in the performance of Seller’s obligations hereunder if such delay or failure is due to acts of God or the public enemy, strikes, labor troubles, fire, explosions, riots, war, governmental orders or restrictions, shortages of materials or labor, delay in transportation, theft, accidents or any other cause which is beyond Seller’s reasonable control. Upon the occurrence of any such event preventing the Seller from performing all of its then outstanding contracts, the Seller shall then be entitled to perform such of its contracts as it may select and shall incur no liability to the Purchaser by reason of performing contracts other than this agreement. The Seller’s total liability for damages related to the performance of or failure to perform this agreement shall be limited to the amount of the contract price. IN NO EVENT SHALL THE SELLER BE LIABLE FOR LOSS OF PROFITS BY REASON OF PLANT SHUTDOWN, NON-OPERATION OR INCREASE IN EXPENSE OF OPERATION OF OTHER EQUIPMENT OR FACILITIES OR FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES.

DELIVERY:

Shipping dates are estimates only and are based on Seller’s projected production schedules and commitments by suppliers. DELAY IN SHIPMENT OR VARIANCE FROM SHIPPING SCHEDULE SHALL NOT BE CAUSE FOR CANCELLATION OR CLAIM FOR DAMAGE. Receipt by the Purchaser of any Products shall constitute acceptance of delivery and waiver of any claims due to delay.

WARRANTY:

Products manufactured by the Seller and sold under this agreement are warranted to be free from defects in materials and workmanship for one year from the date of shipment to the Purchaser. Goods manufactured by other than Seller and sold under this agreement are warranted only to the extent of such manufacturer’s warranty. Seller’s obligation is limited to repair or replacement F.O.B. Seller’s plant when examination of any such Products shall disclose them to Seller’s satisfaction to have been defective and Purchaser shall have promptly notified Seller of the discovery of any such defect. At Seller’s option, such Products shall be returned to Seller, transportation charges prepaid, for such examination. This warranty is conditioned upon the Purchaser making full and complete payment to Seller pursuant to the payment terms hereof and does not apply to any Products which have been opened, disassembled, repaired or altered by anyone other than Seller or subjected to misuse or abuse. Corrosion, erosion, deterioration from unusual causes, normal wear and tear, or operating conditions more severe than those for which the product is designed are expressly excluded from this warranty. Warranty on product repairs or replacement parts shall extend for the unexpired warranty period of the original product. THERE ARE NO WARRANTIES EXPRESS OR IMPLIED WHICH EXTEND BEYOND THOSE EXPRESSLY STATED HEREIN, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

PAYMENTS:

Terms of payment are net 30 days. The maximum legal rate of interest and all costs of collection (including attorney’s fees) shall be charged on past due accounts. All orders are subject to the continuing approval of Seller’s credit department. If Purchaser is in default in any payment, Seller may declare all payments for work completed immediately due and payable, stop all further work until payments are brought current and/or require advance payment for future shipments. Where delivery is prevented or delayed by Purchaser, in such event storage of goods shall be at Purchaser’s expense and risk. If the financial condition of the Purchaser at any time does not in the judgment of Seller justify continuance of production or shipment on the terms of payment set forth herein, Seller may require full or partial payment in advance or shall be entitled to cancel any order then outstanding and shall receive reimbursement for its reasonable and proper cancellation charges. In the event of bankruptcy or insolvency of the Purchaser or in the event any proceeding is brought against the Purchaser, voluntarily or involuntarily under the bankruptcy or any insolvency laws, Seller shall be entitled to cancel any order then outstanding at any time during the period allowed for filing claims against the estate and shall receive reimbursement for its reasonable and proper cancellation charges.

WATER RESOURCES

CHANGES:

Seller reserves the right to change or modify the design and construction of its Products and to substitute other suitable materials.

DRAWINGS:

If drawings are furnished with this proposal, they are submitted only to show the general style, arrangement and approximate dimensions of the equipment offered. No work is to be based upon proposal drawings. Foundation or assembly drawings certified by the Seller will be furnished, when required, after final acceptance of Purchaser's order. It is the Purchaser's responsibility to verify that the data given on certified drawings is suitable for applicable installation conditions. Any changes made after the order is released for manufacture will be subject to extra charges.

TITLE/RISK OF LOSS/DEFAULT:

Unless otherwise specified by Seller, delivery will be made F.O.B. point of shipment to Purchaser. Title to right of possession and ownership of Products covered herein shall remain vested in Seller until the entire purchase price herein provided for shall have been paid in full in cash, and the Purchaser agrees to do all acts necessary to perfect and maintain such right and title in the Seller. In case of failure or refusal to make payments when due, then and in any such event the whole of the unpaid portion of the purchase price shall, at Seller's option, become immediately due and payable and in case of such default on Purchaser's part, Seller shall thereupon have the right to enter the premises upon which such property shall be installed and take possession of and remove the same without legal process. This equipment shall retain its character as personal property regardless of its mode of attachment. Risk of loss or damage shall pass to Purchaser on delivery to carrier.

TAXES:

In addition to any price specified herein, Purchaser shall pay the gross amount of any present, or future sales, use, excess, value added or other similar tax applicable to the price, sale or delivery of any Products or their use by Seller or Purchaser, or Purchaser shall furnish Seller with a tax exempt certificate acceptable to the taxing authorities.

CANCELLATION:

Any order placed with Seller may be cancelled by the Purchaser only upon payment of reasonable cancellation charges, which shall take into account expenses already incurred and commitments made by the Seller.

RETURNED GOODS:

Unused Products of current manufacture may be returned for credit only upon written consent of Seller and with transportation charges prepaid. All such returns shall be subject to a handling charge and reduced by the amount of assembly charges involved in the original equipment, dismantling charges involved in placing the material back in stock, the amount of unusable materials, plus a charge equal to any transportation costs which Seller paid in making original shipments. Products which are obsolete or made to special order are not returnable.

GENERAL:

The terms and conditions hereof cancel and supersede all previous understandings or agreements relating to the Products covered hereunder, written or oral, between Seller and Purchaser and contain the entire understanding of the parties hereto. No waiver, alteration, deletion or modification of or addition to any of the provisions hereof shall be binding unless in writing and signed by a duly authorized representative of the Seller. If any term, provision or condition contained herein shall, to any expert, be invalid or unenforceable, the remainder of the terms, provisions and conditions hereof other than those which are invalid or unenforceable, shall not be affected thereby and each term, provision and condition of this order shall be valid and enforceable to the fullest extent permitted by law. This order and all rights and obligations of the parties shall be construed and interpreted under and pursuant to the laws of the State of Texas.

THE END

WATER RESOURCES