

STANDARD TERMS AND CONDITIONS

The following constitute the terms and conditions for goods and services provided by Sound Propeller Systems, LLC (Vendor), to the Customer.

1. **BASIC AGREEMENT.**

Vendor agrees to provide such goods/services as have been requested by Customer subject to the terms and conditions set forth herein. Such goods/services and the particularization of the precise scope of work including labor, materials and equipment may be set forth in Vendor's Work Engagement Form, identified in an agreed Customer purchase order (or equivalent) or as requested verbally by Customer. Goods/services shall be provided in accordance with Customer's specifications and otherwise as directed by Customer, and always subject to Customer's right to inspect and accept as set forth herein. All documents and communications between the parties, including such that alter or amend the goods/services requested by Customer, shall utilize the Job Number assigned by Vendor.

If requested by Customer, Vendor will additionally inspect, test and/or make recommendations to Customer utilizing a Condition Found Report (CFR). Vendor's undertaking shall be limited to the scope identified in such CFR. Unless otherwise requested, inspections shall be visual and tests shall be made utilizing routine hand tools and equipment; inspections and testing shall be limited to areas/items which are open and accessible, not requiring unbolting, opening, removal, disassembly, cutting or destructive testing. Inspection and tests will be consistent with Customer or Manufacturer's guidelines made available to the Vendor. Vendor is not authorized to send parts out for testing, or engage or incur expenses from third parties, without Customer's written assent. Vendor's recommendations set forth in the CFR shall be made in good faith but are merely advisory and shall be subject to Customer's final judgment and discretion.

This agreement shall commence upon issuance of a Work Engagement Form or agreed Customer purchase order or commencement of any performance by Vendor, whichever shall first occur, and shall continue until the requested goods/services have been delivered to and accepted by Customer or the agreement has been cancelled pursuant to Section 8, below.

2. **PRICE, PAYMENT, ETC.**

A. Price and Deposits.

Unless otherwise specified in a Work Engagement Form or agreed Customer purchase order, the prices for goods/services requested by Customer shall be Vendor's then current prices for such at the time of Vendor's commencement of performance. Any deposits/advances required by Vendor before commencement or continuation of performance shall be identified on the applicable Work Engagement Form or agreed Customer purchase order. Such deposits/advances shall be a credit upon the goods/services provided by Vendor, applied upon the final invoice.

B. Invoicing, Payment, Interest, Taxes and Charges.

Vendor shall invoice Customer upon completion of work or every two (2) weeks, whichever shall first occur. Payment must be made to Vendor in U.S. dollars within the payment terms noted on the invoice and without deduction or offset. Payments which are due but which have not been made shall accrue interest at the rate of one and one-half percent (1.5%) per month until paid in full.

Customer shall be responsible for any sales, use or other tax required to be and/or assessed upon the sale of goods/services to Customer (excluding taxes directly applicable to Vendor based upon the revenue it receives from such), insurance (if requested), packaging, handling, transportation, travel, meals and lodging associated with goods/services, all of which shall be itemized on invoices. Customer shall be responsible for and shall provide all requisite documentation for exemptions from any taxes.

C. Liens.

Vendor shall retain all lien rights available at law, in admiralty or otherwise with respect to the goods/services, but such rights shall be deemed satisfied and extinguished as and to the extent of payments made by Customer.

3. DELIVERY, INSPECTION AND ACCEPTANCE.

Goods shall be deemed to have been delivered to Customer upon first arrival of such goods at a Customer facility or vessel; services shall be deemed to have been delivered to Customer upon notification of completion of services by Vendor.

Immediately following delivery, Customer shall carefully inspect goods and services to determine whether they conform and/or have been completed. Customer must immediately notify Vendor in writing following delivery of any defect, deficiency, nonconformity or failure to complete with respect to goods and/or services, failing which notification the goods and/or services shall be deemed to have been accepted and in conformity with this agreement.

Risk of loss of and duty to insure goods, and parts and materials associated with services, shall pass from Vendor to Customer upon first arrival at a Customer facility or vessel. Title to goods/services shall pass from Vendor to Customer upon acceptance and full payment for such.

4. CUSTOMER RESPONSIBILITIES AND WARRANTIES.

Customer warrants that it shall:

- A. Provide a knowledgeable and authorized representative to assist Vendor.
- B. Cooperate in scheduling for delivery of goods and rendering of services.
- C. Provide direction and instruction to Vendor as identified herein.
- D. Provide technical information, plans, drawings, specifications, etc. and other information relevant to the goods/services requested.
- E. Provide prompt and priority access required to Vendor to render services.

- F. Provide such additional labor and assistance necessary for Vendor to render services.
- G. Attend all inspections, tests and trials.
- H. Make prompt decisions to facilitate Vendor providing goods/services.

Customer further warrants that it is the owner, or is authorized to act on behalf of the owner, with respect to the goods/services involved herein and has the authority to bind all interests relating hereto.

5. VENDOR RESPONSIBILITIES AND WARRANTIES.

- A. Vendor warrants that all goods shall be sourced and provided promptly and that such goods shall be new unless otherwise identified. Goods which are new and manufactured by Vendor shall have the warranty identified in subsection C, below. Goods which are new and are manufactured by others shall only have such warranties as the manufacturer provides and allows to be transferred to Vendor's customers. Goods which Vendor has been requested to refurbish to original equipment manufacturer standards shall be warranted only as having been refurbished to such standards. Vendor makes no warranties with respect to the specifications, capacities and/or capabilities of goods but will provide Customer with such as are available from the manufacturer or vendor of such goods upon request of the Customer. In all other instances of the sale of goods, including but not limited to used goods and goods included within services rendered, Vendor makes no warranty other than the forgoing specific warranties and the sale of goods shall be subject to the limitations upon and exclusions of warranties and remedies set forth in the subsections below.
- B. Vendor warrants that all services from Vendor shall be provided promptly and shall be performed in a workmanlike manner consistent with the standard of care applicable in the locality in which such services are provided as well as consistent with the requests, direction and instruction provided by Customer. Services provided directly by Vendor, as opposed to those from third parties, shall have the warranty identified in subsection C, below. Services which Vendor has been authorized by Customer to obtain from third parties shall only have such warranties as the vendor of such services provides and allows to be transferred to Vendor's customers. In all other instances of services provided by Vendor, Vendor makes no warranty other than the foregoing specific warranties and the provision of services shall be subject to the limitations upon and exclusion of warranties and remedies set forth in the subsections below.
- C. Vendor warrants that the goods which it has manufactured and sold to Customer and the direct services which it has provided to Customer (as opposed to and excluding goods and services obtained from third parties) shall be free from defects in materials and workmanship for a period of ninety (90) days following delivery to and acceptance of such by Customer. In the event of discovery of a breach of the foregoing warranty, Customer must provide Vendor with written or electronic notification thereof within ten (10) days and must either promptly return the defective item to Vendor for inspection or, if it is not commercially practicable to do so, Customer shall allow Vendor access to such in its then damaged/defective condition before any openings, disassembly, repair or other change in condition occurs. Customer's sole remedy in the event of breach of the foregoing warranty shall be that Vendor shall repair or replace the defective goods/services or shall refund to

Customer the charges specifically applicable to the defective goods/services which were paid by Customer and received by Vendor prior to notice of defect, whichever is lesser. Repair or replacement shall occur at Vendor's facility, with transportation to and from such facility to be at Customer's expense, except in an emergency requiring repair/replacement elsewhere. Vendor shall not be responsible for the foregoing remedy for breach of this warranty for: defects in goods/services including materials and/or workmanship which were open and evident or could have reasonably been discovered at time of delivery; Customer failed to follow Vendor's or manufacturer's procedures or instructions (including relating to maintenance and operation); Vendor advised Customer that the goods/services Customer requested or Customer's directions and instructions were not consistent with good marine practice; intervening inspections and/or repairs by others occurred; the alleged breach resulted from wear and tear, misuse, abuse, negligence of the Customer or its employees, or was caused by failure of components, work provided by, and/or the negligence of, any other party.

D. Vendor shall not be responsible for any indirect, consequential or special damages whatsoever (including without limitation business interruption, extra expense, loss of revenues or profits, loss of use of property, delay) arising out of or relating to the goods/services and/or this agreement, howsoever caused and regardless of whether the same results from the negligence of a party, breach of this agreement or otherwise, and even if the possibility of such was or could have been foreseeable.

E. Vendor neither makes nor shall it be held to any warranty or representation whatsoever other than as set forth above and any other warranties or representations, whether express or implied and including but not limited to any warranty of merchantability, fitness for a particular purpose, workmanlike service or performance are expressly excluded and negated.

F. The foregoing warranties and remedy for breach thereof are Customer's sole and exclusive remedy with respect to the goods/services provided by Vendor and shall be in lieu of any other remedy, or theory or basis for recovery, including without limitation negligence, gross negligence, tort, strict liability, products liability, contract or otherwise.

6. FORCE MAJEURE.

Vendor shall not be liable for any delay or inability to perform caused by any event beyond its reasonable direct control. Upon occurrence of a force majeure event, Vendor will provide notice to Customer and shall endeavor to commence or resume performance as soon as possible, but shall not be responsible for any delays or liable for any damages, losses or expenses incurred as a result of such delay or inability to perform.

7. EXTENSION OF BENEFITS.

All exemptions and defenses to as well limitations upon liability and/or damages granted to Vendor herein shall be deemed extended to and for the benefit of the directors, officers and employees of Vendor.

8. TERMINATION.

This agreement may be terminated at any time by Vendor upon Customer's failure to pay any charge when and as due. Customer may cancel upon three (3) business days advance notice to Vendor, but shall remain liable for all charges up to such date, including demobilization resulting from early cancellation even if occurring subsequent to the cancellation date.

This agreement shall terminate immediately upon either party becoming insolvent, the appointment of a receiver or the filing of any Chapter 7 or Chapter 11 bankruptcy proceeding applicable to such party.

Notwithstanding termination, Customer shall pay Vendor for all goods/services supplied and or performed up to the effective date of termination, and for demobilization charges incurred subsequent to such date.

9. ASSIGNMENT.

This agreement may not be assigned by Customer without Vendor's written assent.

10. APPLICABLE LAW, FORUM, VENUE AND LEGAL FEES.

This Agreement shall be governed by the general maritime law or by the laws of the State of Washington in the event there is no general maritime rule of law or general maritime law is not applicable. The parties agree that any dispute relating to this agreement and performance associated therewith shall be submitted to the exclusive jurisdiction of the state or federal courts located in King County, Washington, with the substantially prevailing party entitled to recover its reasonable legal fees and costs.

11. EXECUTION AND COUNTERPARTS.

This agreement and the terms and conditions set forth herein shall be deemed fully incorporated into Vendor's Work Engagement Form and any agreed Customer purchase order and execution thereof shall be deemed execution of the full terms and conditions of this agreement. Execution may occur through use of counterparts, each of which shall be deemed original and all of which together shall constitute a single agreement. A facsimile or electronic signature or verification shall be equivalent to an original signature.

12. HEADINGS/CONSTRUCTION.

The headings utilized in this agreement are for convenience of reference only, are not substantive and may not be used to construe the agreement. This agreement shall be construed neutrally rather than for or against any party.

13. GOVERNING/SUPERCEDING AGREEMENT AND INTEGRATION.

By requesting Vendor to commence performance or upon issuance of a Work Authorization Form or agreed Customer purchase order, Customer acknowledges and agrees that these terms and conditions constitute the entire agreement between the parties, superseding and replacing any other understandings, agreements or representations whether occurring before or after; this agreement specifically displaces, supersedes and replaces any other terms and conditions promulgated by

Customer, whether such occur before or after commencement of services by Vendor including such terms and conditions as may be included or referenced in an agreed Customer purchase order.

This agreement may not be altered or modified except through a writing executed by both parties.