

LEASE AGREEMENT
Terms and Conditions

1. Condition of Equipment. The receipt and acceptance by Lessee of the items of machinery, equipment and other personal property being leased as further described herein (“Equipment”) shall constitute acknowledgement by Lessee that such Equipment has been accepted and found in good, safe and serviceable condition, and fit for use, unless Lessee makes a claim to the contrary to Lessor by certified mail, return receipt requested, addressed to Lessor’s office within three (3) days after receipt of such Equipment. The claim shall set forth in detail the complete nature and condition of the Equipment received. In the event of such claim, Lessor shall have the right to put the Equipment in good, safe and serviceable condition and fit for use within a reasonable time, or to cancel this agreement.

2. Maintenance and Repair. Lessor will provide maintenance and repairs as required by normal use of the Equipment except such routine maintenance as is set out under “Operating Responsibilities” below. Repairs or other service made necessary by damage to the Equipment or Lessee’s misuse or extraordinary use or inadequate routine maintenance of the Equipment will be performed by Lessor at Lessee’s expense. Lessor may perform maintenance and repairs of the Equipment at any time.

3. Fuels, Lubrication, Tires. Lessee will provide for all fuel and make up oil used during the term of this agreement and will **MAINTAIN PROPER OIL LEVEL AT ALL TIMES**. Tires shall be the sole responsibility of Lessee, and Lessee agrees to return the Equipment with tires equal to those received less normal wear and tear.

4. Damage to Equipment. Lessee shall not remove, alter, disfigure or cover up any numbering, lettering, or insignia displayed upon any Equipment. Lessee shall not allow the Equipment to be subject to any careless, needless, or rough use. All risk of loss or damage to the Equipment shall be borne by Lessee. Notwithstanding damage to any item of Equipment, rental for such Equipment shall continue to be paid by Lessee. Lessee shall have the responsibility for the repair of any damage to the Equipment and Lessee shall repair, or cause to be repaired, each such damaged item of Equipment promptly after damage. In the event any item of Equipment is destroyed, stolen or damaged to such an extent that Lessee finds it impossible to continue its use, Lessee shall immediately pay the remaining unpaid rental payment as to such Equipment and all of Lessee's right, title and interest in such Equipment, together with any and all insurance rights Lessee may have with respect to such Equipment, shall be assigned to the Lessor, and Lessee shall be responsible for, and shall indemnify Lessor against, any and all loss or damage to the Equipment. If at any time Lessor shall feel its rights to the Equipment are endangered or that the Equipment is being used beyond its capacity or in any manner improperly cared for, Lessor may, without notice, remove the Equipment and cancel this agreement.

5. Assignment and Sublease. Neither this agreement nor Lessee's rights hereunder shall be assignable by Lessee without Lessor's prior written consent. Lessor may, without the necessity of prior consent by Lessee, assign its rights and obligations under this agreement, or may assign only its rights to receive lease payments under this agreement, and Lessee, upon the receipt of written notice of any such assignment, shall abide thereby. In the event Lessor assigns only its right to receive lease payments hereunder, Lessee agrees that it will, upon receipt of notice thereof, make all lease payments to Lessor's assignee in accordance with such notice. Lessee will make no attempt to set-off against such payments any claims arising either under this agreement or apart therefrom that Lessee may have against Lessor, and Lessee's obligations to pay lease payments to Lessor's assignee shall exist and continue notwithstanding any total or partial invalidity of this agreement, any right of rescission Lessee may have, or any other reason.

6. Liability Insurance. Lessee will furnish, at its own expense, Bodily Injury Liability and Property Damage Liability Insurance coverage to insure both Lessee and Lessor (for the purpose of this agreement Lessor shall include Stewart & Stevenson) including their agents and assigns in the amount of at least \$300,000 per person and \$500,000 per occurrence for bodily injury or death and \$300,000 for property damage (other than leased price of Equipment). Lessee shall provide a Certificate of Insurance to Lessor evidencing said insurance coverage, waiving any right to subrogation against Lessor and naming Lessor as "Additional Insured" to said insurance policy. The Certificate of Insurance shall also provide for a 30 day notice of cancellation to Lessor. Said insurance shall be on a primary and not on an excess basis. **LIABILITY COVERAGE FOR BODILY INJURY AND PROPERTY DAMAGE CAUSED TO OTHERS WILL NOT BE PROVIDED BY LESSOR UNDER ANY CIRCUMSTANCES.**

7. Casualty Insurance. Lessee expressly agrees to insure, at it own expense, the Equipment for the Agreed Value at the time of lease for damage as a result of fire, theft, collision or any other causes and to name Lessor as the Loss Payee under such insurance coverage. Notwithstanding any of the above, Lessee expressly agrees to be responsible for any and all damage to the Equipment for any reason, including, without limitation, any damage as a result of negligence or neglect on its part whether willful or not, and for loss of rental revenue while the Equipment is undergoing repairs for any damage. If the Lessee fails to provide insurance as specified above or provides inadequate insurance, then Lessor may (but shall have no obligation to) provide the appropriate insurance and charge Lessee for said service. Lessee agrees to pay all fees and costs associated with the provision of said insurance as additional lease rental.

8. Indemnity to Lessor. Lessee shall indemnify, protect, and save and keep harmless Lessor, its agents, servants, successors and assigns, from and against all losses, damages, injuries, claims, demands and expenses, including legal expenses, of whatever nature, arising out of the use, maintenance, condition of operation of any item of Equipment, regardless of where, how and by whom operated, and regardless of whether arising from the joint or concurrent negligence of Lessor. At Lessor's request, Lessee shall assume the settlement and defense of any suit(s) or other legal proceedings brought to enforce all losses, damages, injuries, claims, demands and expenses, and shall pay all judgements entered in any such suit(s) or other legal proceedings. Lessee shall notify Lessor in writing within five (5) days of institution of suit or the occurrence of any event which might be basis of an adverse claim regarding the Equipment.

THE INDEMNITIES AND ASSUMPTIONS OF LIABILITIES AND OBLIGATIONS HEREIN PROVIDED SHALL CONTINUE IN FULL FORCE AND EFFECT NOTWITHSTANDING TERMINATION OF THIS AGREEMENT, WHETHER BY EXPIRATION OF TIME, BY OPERATION OF LAW OR OTHERWISE.

9. Operator's Qualifications. The equipment will be operated only by trained, qualified personnel and Lessee will not make any repairs, adjustments or alterations without Lessor's express written consent. Failure to abide by these terms will make Lessee fully responsible for any damage or loss from whatever nature.

10. Authority. It is expressly understood that the parties signing this agreement have done so with full and proper authority for the corporation or entity they purport to represent.

11. Continuation of Rental. Except as otherwise set forth herein, rental of the Equipment shall continue subject to the terms of this agreement until the Equipment is returned to facility of Lessor.

12. Approval. This Agreement shall not be binding upon Lessor until approval of an authorized officer or manager of Lessor, such approval to be evidenced by appropriate execution of this agreement in the space provided therefor.

13. WARRANTY, DISCLAIMER, LIMITATIONS. LESSEE ACKNOWLEDGES THAT EXCEPT AS EXPRESSLY PROVIDED HEREIN. LESSOR HAS MADE NO WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE EQUIPMENT. LESSOR AGREES, THAT IN THE EVENT OF ANY DEFECT IN MATERIAL OR WORKMANSHIP, LESSOR, UPON BEING NOTIFIED OF SUCH FAILURE AND THE RETURN OF THE EQUIPMENT TO LESSORS PLACE OF BUSINESS, WILL PROMPTLY REPAIR THE EQUIPMENT TO THE EXTENT THAT SUCH REPAIRS ARE COVERED BY MANUFACTURER'S WARRANTY SO THAT LESSOR OBTAINS COMPENSATION FOR PERFORMING SUCH REPAIRS FROM THE MANUFACTURER. THE LESSOR MAY, AT ITS OPTION, REPLACE THE UNIT WITH COMPARABLE EQUIPMENT OR CANCEL THIS AGREEMENT IN ITS ENTIRETY. IF LESSOR, IN ACCORDANCE HERewith CANCELS THIS AGREEMENT, ANY UNEARNED RENTAL PREVIOUSLY PAID SHALL BE REFUNDED TO LESSEE. LESSEE SHALL BE RESPONSIBLE FOR ANY COST INCURRED IN RETURNING THE EQUIPMENT TO ITS JOB SITE. NEITHER LESSOR, ITS ASSIGNS, THE WHOLESALER, NOR THE MANUFACTURER MAKE ANY OTHER WARRANTY OR REPRESENTATION WITH RESPECT TO THE EQUIPMENT AND EXPRESSLY DISCLAIMS ANY WARRANTY AS TO ITS CONDITION, FITNESS FOR A PARTICULAR PURPOSE, MERCHANTABILITY OR PERFORMANCE. THE FOREGOING SHALL BE LESSEES SOLE AND EXCLUSIVE REMEDY WITH RESPECT TO A DEFECT IN THE EQUIPMENT AND NEITHER LESSOR, THE WHOLESALER NOR THE MANUFACTURER SHALL BE LIABLE FOR ANY INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES (SUCH AS LOSS OF PROFITS) WHICH MAY RESULT FROM THE FAILURE OF THE EQUIPMENT. FURTHER, LESSOR SHALL NOT BE LIABLE FOR ANY LOSS, DELAY OR DAMAGE OF ANY KIND OR CHARACTER RESULTING FROM DEFECTS IN OR INEFFICIENCY OF THE EQUIPMENT.

14. Addition of Accessories. Lessee will not, without prior written consent of Lessor, install any accessories or devices on the Equipment if such installation will impair the originally intended function or use of the Equipment. All accessories or devices fixed to the Equipment shall automatically become the property of Lessor unless such part or device can be removed without in any way affecting the originally intended function or use of the Equipment. Any damage to the Equipment caused by the removal of such accessories or devices shall be repaired at Lessee's expense.

15. Compliance with Regulations. Lessee agrees to comply with and conform to all applicable municipal, county, state and federal laws relating to the operation of the Equipment, including, without limitation, all laws relating to hazardous waste and toxic substances.

17. Location of Equipment. Lessee shall keep the Equipment located at the point of delivery stated herein unless Lessee receives written permission from Lessor to move the Equipment to another specified location. In no event shall the Equipment be located outside of the State of Texas without prior written permission of Lessor.

18. Rental Period, Late Return, Excess Usage. For purposes of this agreement, calculation of the rental period shall commence on the date the Equipment leaves Lessor's storage yard and shall terminate when such item of Equipment is returned to Lessor's yard, subject to Lessee's obligation to pay the minimum guaranteed rental set forth herein. Equipment returned beyond the rental period or subject to excessive hourly usage will be subject to an additional charge in accordance with Lessor's rental return policy.

19. Prohibited Use of the Equipment. Lessee will not operate the Equipment in connection with any use, storage, handling, shipment, disposal or other use of hazardous or toxic substances, waste or other prohibited or dangerous contaminants, without the prior approval of Lessor, and Lessee will promptly notify Lessor if any such Equipment is or becomes subject to contamination from any hazardous or toxic substances.

20. Default. If Lessee shall fail to make any rental payment when due, shall attempt to sell or encumber the Equipment, shall cease operating, shall institute or have instituted against it proceedings under any bankruptcy or insolvency law, shall make an assignment for the benefit of creditors, or shall fail to comply with any provision of this agreement, or if any attachment, execution, writ or process is levied against the Equipment or any of Lessee's property, or if for any reason Lessor deems itself insecure or the Equipment unsafe, Lessor may, at its option, declare this agreement in default and all of Lessee's rights in the Equipment hereunder shall cease. Upon such default, Lessee agrees to deliver the Equipment to Lessor on demand and Lessor may enter upon any job, building or place where the Equipment is located and take possession thereof without notice to Lessee. In the event of any such action Lessee agrees to pay all minimum guaranteed rentals and all other rentals due, cost of repair for any damages to the Equipment, costs of removal of the Equipment from possession of Lessee, and all freight storage, transportation and other charges incurred in such removal and return to Lessor at its place of business, In the event that legal action is necessary to enforce any of Lessor's rights hereunder, Lessee agrees to be responsible for the costs thereof, including reasonable attorney's fees. Lessor may hold, use, sell, lease or otherwise dispose of the Equipment or keep any item of Equipment idle if Lessor so chooses, without affecting the obligations of Lessee hereunder. With respect to Equipment that is subject of a default by Lessee, Lessor shall be entitled to all sums due and unpaid, plus all sums to become due as rental to the end of the respective rental period of each item of Equipment as if this lease had not been declared in default and all of the damages sustained by Lessor by virtue of such breach. Any repossession or resale of any item of Equipment shall not bar any action for deficiency as provided above, and the bringing of an action or the entry of a judgment against Lessee shall not bar Lessor's right to repossess any and all of the Equipment.

21. Past Due Rentals. All past due rentals and other amounts due hereunder shall bear interest at the rate of eighteen (18%) percent per annum or the maximum no usurious rate allowed by law, whichever is less.

22. Place of Payment. All payments hereunder shall be payable at Lessor's main office, P.O. Box 200441, Houston, Harris County, Texas 77216, and if payments should be made to any other branch office of Lessor, such payments shall not be considered as having been received by Lessor until they are deposited with Lessor at the above referenced P.O. Box.

23. Title to Equipment. Lessor and Lessee expressly agree that all the property subject to this agreement is personal property and is in the nature of equipment as defined in the Uniform Commercial Code of the State of Texas and that the same shall never be attached or affixed to real estate so as to be or become a fixture, Lessor and Lessee further expressly agree that this agreement is a contract of lease only, and that Lessee shall not acquire any title to any equipment subject hereto Lessee shall keep the Equipment free from any liens and claims, and shall not do or permit any act or thing whereby Lessor's title or rights in and to any of the Equipment may be encumbered or impaired. Lessee agrees to execute financing statements acknowledging this agreement and the Equipment subject thereto.

24. Taxes. Lessee shall pay all applicable taxes.

25. Minimum Guaranteed Rental. This agreement is irrevocable by Lessee for the full term hereof. Lessee acknowledges that the guaranteed minimum rental set forth herein is based upon the specialized nature of the Equipment and/or the specific terms of the lease of the Equipment, or such other factors which Lessor and Lessee acknowledge have been considered in the guaranteed minimum rental.

26. General. (a) Time is of the essence of this agreement. (b) Lessor's failure at any time to require strict performance by Lessee of any of the provisions of this agreement shall not waive or diminish Lessor's rights thereafter to demand strict compliance therewith or with any provision. Waiver of any default shall not waive any other default. (c) Any alteration or modification of this agreement shall be in writing and signed by the parties hereto. Lessee acknowledges receipt of a signed copy hereof. (d) This agreement contains the entire understanding of the parties, and such understanding may not be modified or terminated except in writing signed by the parties. (e) This agreement shall be governed by the laws of the State of Texas. (f) All remedies either under this agreement or by law afforded to Lessor shall be cumulative and alternative. (g) Any provisions in this agreement found to be prohibited by law shall be ineffective to the extent of such prohibition without invalidating the rest of this agreement.

27. Damage Waiver (NOT INSURANCE). Lessee accepts the Damage Waiver unless expressly rejected in writing. If Lessee accepts and pays for Damage Waiver as per stated terms, then Lessor agrees to waive such risk of loss as described below in an amount not to exceed 50% of the replacement cost of the equipment. In no case is the first 50% of the replacement cost of the equipment the responsibility of the Lessor or will any claim less the \$500 be waived per piece of Equipment. Damage Waiver charge is calculated at 14% of the base rental rate of equipment and accessories being rented, not to include taxes, freight, labor, and/or environmental fees. Notwithstanding Lessee's acceptance of the Damage Waiver, Lessee will be liable for all loss or damage to the equipment and related expenses incurred by Lessor resulting from any of the following circumstances: a) Damage associated with or attributable to deflated or under-inflated tires, deflated or under inflated tubes or wheels, blowouts, bruises, dents, cuts or other such causes associated with intended use of the Equipment. b) Damage resulting from negligence, recklessness, misuse, or abuse of Equipment, intentional or otherwise, including overloading or exceeding Equipment rated capacities, utilization of incorrect or adequate fuel or other fluids, lack of lubrication, improper towing or carriage, or other normal servicing of Equipment. c) Loss or damage due to mysterious or unexplained disappearance, or caused by conversion of Lessee, its employees, or persons to whom the Equipment is entrusted. d) In cases of theft, vandalism, malicious mischief, disappearance, or conversion, when the police or other relevant authorities, as well as Lessor, are not formally notified within 24 hours of Equipment's disappearance and such a police report immediately provided to Lessor or such case occurs while Equipment is not reasonably secured in a locked, enclosed or fenced-in, mechanically access-controlled area. e) In any cases where the Equipment is utilized in a manner that would constitute a default under the Rental Agreement or not used with the permission or express consent of the Lessor. f) In any event where damage results while the operator or any other party involved in the operation of the Equipment is under the influence of an intoxicant or other illegal or controlled substance