

**1 General provisions**

1.1 These general conditions shall apply unless otherwise agreed in writing between the parties.

1.2 Definitions:

**Buyer** The company or person stated as such in the Purchase Order Form or its successors or permitted assigns.

**Client** The Buyer's customer and/or the ultimate user of the Work.

**Contract Price** The total price specified in the Purchase Order Form subject to adjustment in accordance with clause 8, which, unless otherwise expressly stated in the Purchase Order Form, shall be exclusive of value added tax and other similar taxes, fees or charges.

**Contract** The separate form of agreement, (hereinafter referred to as "**Purchase Order Form**") including any special conditions, these general conditions and any appendices and any agreed amendments and variations to said documents.

**Delivery Date** The date of Seller's delivery of the Goods according to the Contract.

**Goods** All goods to be delivered by Seller pursuant to the Contract.

**Seller** The company stated as such in the Purchase Order Form or its successors or permitted assigns.

**Service** All services to be performed by Seller pursuant to the Contract.

**Work** Services to be performed and/or Goods to be delivered by Seller pursuant to the Contract.

1.3 In the event of any ambiguity or contradiction in the provisions of the Contract, the order of precedence shall be as listed:

- a) the Purchase Order Form,
- b) any special conditions,
- c) these general conditions,
- d) appendices in the order they are listed

**2 Status of Contract**

2.1 The Contract constitutes the entire agreement between the parties and supersedes all prior agreements, arrangements and undertakings between the parties relating to the subject matter of the Contract.

2.2 Other conditions shall not apply to the Contract unless mutually agreed in writing.

2.3 The Contract shall commence upon Contract signature and shall terminate on fulfilment of contractual obligations.

**3 Communication**

3.1 All documentation and correspondence in connection with the Contract shall be in English.

**4 General requirements**

4.1 Seller shall ensure that the Work is performed according to standards of good workmanship, the Contract specifications and in compliance with applicable laws and regulations.

4.2 Seller shall have a certified quality system as defined in the ISO 9000 series of standards suitable for the Work to be performed.

4.3 Seller shall have a documented Health, Safety and Environment (HSE) program for the Work to be performed.

4.4 Buyer shall provide Seller with all requested information and approvals without unreasonable delay and in any event within 7 days of Seller's request.

**5 Terms of payment**

5.1 Buyer shall pay Seller within 30 days following receipt of invoice and according to agreed payment schedule.

5.2 Interest on overdue payment shall be payable according to the Norwegian Delayed Payments

Act of 1976 ("Morarenteloven"), or 3% above base lending rate of Barclays Bank Ltd., London, whichever is higher.

5.3 Seller shall have the right to suspend the Work and ultimately terminate the Contract if Buyer does not fulfil his payment obligations. Clause 10 shall apply.

5.4 Title to the Goods remains with Seller until delivery and final payment by Buyer.

**6 Terms of delivery/shipping instructions**

6.1 The provision of Incoterms latest edition shall apply to the agreed type of delivery.

6.2 If Buyer is responsible for the transportation, Buyer shall in good time prior to dispatch, submit dispatch instructions to Seller. If Seller is responsible for the transportation, Seller shall advise of dispatch so that Buyer may make preparations for receipt of the Goods.

**7 Contract schedule and delivery**

7.1 Delivery shall take place according to the agreed contract schedule. Seller shall be deemed to have fulfilled his delivery obligations when the Goods have been delivered on or before the Delivery Date.

7.2 Seller shall be entitled to an extension to the contract schedule and Delivery Date with respect to any delay for which Seller is not responsible, including late responses from Buyer.

**8 Variations to the Work**

8.1 Variations may include an increase or decrease in the quantity, character, quality, method of execution of the Work as well as changes to the contract schedule to the extent such changes were within Seller's reasonable expectation at the time of entry into the Contract. Variations to the Work shall be ordered by Buyer through written variation orders.

8.2 If Buyer orders a variation, Seller shall submit an estimate containing a description of the effects the change will have on the Contract Price, Contract schedule, Delivery Date and technical specifications. Seller shall not initiate the variation to the Work until Buyer and Seller have agreed to the cost and schedule effect of the variation.

8.3 Seller shall have the right to request a variation order. Buyer shall respond to any request from Seller for a variation order within 7 days.

8.4 Seller shall be entitled to a variation order in the event of changes in applicable laws and regulations, or the interpretation thereof, after Contract signature.

**9 Suspension**

9.1 Buyer may suspend the Work or any part thereof by written notification to Seller. Seller is entitled to an extension of time and compensation for the effects of such suspension, including demobilisation and mobilisation of personnel and machinery. If the suspension period continues beyond 30 days after the notification was received by Seller, Seller is entitled to terminate the Contract and receive compensation according to clause 10.1 and 10.2.

**10 Termination**

10.1 If Buyer terminates the Contract, Buyer shall pay the unpaid balance due to Seller for that part of the Work already performed and shall cover documented and necessary expenses incurred as a result of the termination.

10.2 In addition to the amounts stated in clause 10.1, Buyer shall pay a termination fee equal to the lesser of:

- a) 4% of the Contract Price, or
- b) 6% of the part of the Contract Price which is not paid at the date of termination and which shall not be paid pursuant clause 10.1.

Buyer shall only be entitled to deduct from the termination fee such claims as have been presented in writing to Seller prior to the date of termination and have been accepted by Seller.

10.3 If Buyer gives notice of termination due to alleged default by Seller, Seller shall be given the opportunity to correct the default. If reasonable steps are not taken by Seller within reasonable time to correct the default, Buyer shall be entitled to terminate the Contract on the grounds of the default provided the default is material. In such case, clause 10.2 will not apply.

10.4 If Buyer becomes insolvent or does not fulfil his payment obligations, Seller may terminate the Contract and claim compensation for damages and losses.

**11 Non-performance**

11.1 If Seller fails to deliver the Goods within 14 days after the Delivery Date due to Seller's negligence, Buyer is entitled to liquidated damages amounting to 1% of the value of the delayed portion of the Goods per complete week of delay. The liquidated damages shall not exceed in total 5% of the Contract Price. This shall be Buyer's sole and exclusive remedy for delay. Such liquidated damages shall only apply if Buyer incurs extra costs as a result of Seller's delay.

11.2 If Buyer discovers a defect in the Work, Buyer shall immediately notify Seller in writing. The notice to Seller shall contain a specific description of the defect.

11.3 Seller shall at his own cost rectify defects of which he is notified in writing within the guarantee period of 12 months from Delivery Date. The guarantee period for rectification work is 6 months after the completion thereof unless the remaining part of the overall guarantee period is longer. However, the total guarantee period including rectification work shall under no circumstances exceed 15 months from Delivery Date. Buyer shall not unreasonably prevent Seller from performing the planned rectification work.

11.4 Seller's guarantee obligations for the Work and for the use of the Goods are only valid when certified operators approved by Seller are utilised, and when Seller's installation procedures, spares, and maintenance program (TMM) are followed. In no circumstances shall Seller be liable for Work or operation of the Goods carried out by others without the prior written approval by Seller.

11.5 Seller is under no circumstances liable for costs relating to:

- a) Dismantling and/or disconnection of other objects than the Goods,
- b) Board and lodging offshore,
- c) Transport to, from and at the offshore location of personnel and equipment,
- d) Heavy lifts operations offshore,
- e) Extra costs associated with guarantee work performed below the water line,
- f) Rig or vessel costs,
- g) Extra cost associated with performing guarantee work at another location than at Seller's own yard.

11.6 Notwithstanding any provisions to the contrary, the guarantees expressed above are in lieu of all guarantees that are implied under contract or otherwise at law. Seller's maximum cumulative liability with respect to defective Work shall be limited to 15% of the Contract Price, whether such liability is raised under contract, tort (including negligence) or otherwise. The foregoing shall constitute Seller's sole and exclusive liability to Buyer for defective Work.

**12 Force Majeure**

12.1 "**Force Majeure**" means: An occurrence beyond the control of the party affected, provided that such party could not reasonably have foreseen

- such occurrence at the time of entering into the Contract and could not reasonably have avoided or overcome it or its consequences. Force Majeure include, without limitation, war (declared or undeclared), acts of terrorism, storms, floods, serious fire, acts of government, civil commotion or unrest, general labour disputes etc.
- 12.2 A party shall not be considered in breach of the Contract (other than the obligation to pay monies due) to the extent it is proven that such party was unable to fulfil its contractual obligations due to Force Majeure.
- 12.3 The party invoking Force Majeure shall as soon as possible notify the other party, informing the cause and presumed duration thereof.
- 12.4 Each party is entitled to terminate the Contract if the Force Majeure situation continues, or it is obvious that it will continue, for more than 90 days. In such case Buyer shall pay Seller for all parts of the Work performed up to the date of termination according to the principles stated in Clause 10.1.
- 12.5 Delay resulting from Force Majeure, including reasonable and necessary time for mobilisation and demobilisation of personnel and machinery, shall entitle Seller to a corresponding day-by-day prolongation of the contract schedule and Delivery Date. Each party shall cover its own costs resulting from Force Majeure.
- 12.6 Force Majeure shall also include a situation where the political situation at any place where the Contract is performed is such that Seller's or its subcontractor's personnel are hindered, either wholly or in part, in their performance of the Work. Advice from government agencies or instructions from Seller's corporate management restricting travel on the grounds of an unstable political situation shall be deemed to constitute such a hindrance to the performance of the Work.
- 13 Intellectual property rights**
- 13.1 All copyrights, design rights, patents, trademarks, trade secrets and other Intellectual Property Rights ("IP Rights") in and covering the Work or portions thereof prepared or developed by Seller hereunder, shall remain the property of Seller. Seller hereby grants to Buyer a non-exclusive, non-transferable, irrevocable, worldwide, royalty free right and license under such IP Rights to the extent required for the purpose of utilising the Goods in the manner stated in or implied by the Contract.
- 13.2 Inventions made by Seller during the performance of the Work shall be the property of Seller. This does not apply however to inventions solely or mainly based on technical information received from Buyer and where the inventive step in made by Buyer, which shall be the property of Buyer. This shall, however, not apply if the rights of a third party intervene and Seller has made reasonable steps to obtain the right.
- 13.3 Seller shall notify Buyer of such inventions which shall be Buyer's property and Seller shall provide reasonably necessary assistance to enable Buyer to acquire the patents to the inventions. Buyer shall pay Seller for all reasonable costs in connection with such assistance. Buyer shall grant to Seller an irrevocable, royalty free, non-exclusive, worldwide license to inventions which are Buyer's property according to this sub-clause. Seller shall grant to Buyer an irrevocable, royalty free, non exclusive license to all inventions which are under, or which prior to completion of the Work come under Seller's control, to the extent necessary for Buyer to utilise the Goods for the purpose stated in or implied by the Contract.
- 13.4 Buyer shall indemnify Seller against any claims by third parties resulting from infringement of patent or other industrial property rights in connection with the Work where such an infringement results from the intended use of drawings or specifications provided by Buyer. Buyer's responsibility relates to infringement both in the country where the Work is to be used according to the Contract and in the countries where the Work is manufactured, assembled and prepared for delivery.
- 13.5 Except as provided in clause 13.4 above, Seller shall indemnify Buyer against any claims by third parties resulting from infringement of patent or other industrial property rights in connection with the Work where such an infringement results from the intended use by Buyer of the Work. Seller's responsibility is limited to infringement in the country where the Work is to be used according to the Contract, and in the countries where the Work is manufactured, assembled and prepared for delivery.
- 14 Liability and insurances**
- 14.1 Buyer shall indemnify Seller from and against any claim concerning:
- a) personal injury to or loss of life of any employee of Buyer,
- b) loss of or damage to any property of Buyer arising out of or in connection with the Work.
- This applies regardless of any form of liability whether strict or by negligence, in whatever form, on the part of Seller. All references to Buyer in this clause 14 shall include the Client and any affiliate or co-venturer of Buyer or Client, its contractors and subcontractors, and the employees, officers, agents, insurers and invitees of any of the aforesaid. Seller shall indemnify Buyer from and against any claim concerning:
- a) personal injury to or loss of life of any employee of Seller,
- b) loss of or damage to any property of Seller arising out of or in connection with the Work.
- This applies regardless of any form of liability, whether strict or by negligence, in whatever form, on the part of Buyer. All references to Seller in this clause 14 shall include any subcontractor of Seller and any affiliate of Seller or its subcontractor, and the employees, officers, agents, insurers and invitees of any of the aforesaid.
- 14.2 Buyer shall indemnify Seller from Buyer's own indirect losses, and Seller shall indemnify Buyer from Seller's own indirect losses. This applies regardless of any liability, whether strict or by negligence, in whatever form, on the part of either party. Indirect losses according to this provision include but are not limited to: loss of earnings, loss of business opportunity, loss of profit, loss of use and loss of production.
- 14.3 Except as otherwise provided in these general conditions, Buyer shall indemnify and hold harmless Seller from and against any claims, losses, damages or costs (including legal costs) resulting from Buyer's use and operation of the Work, howsoever caused, including the negligence or breach of duty of Seller.
- 14.4 Seller shall save, indemnify, defend and hold harmless Buyer from and against any claim arising from pollution emanating from the property and equipment of Seller while located on Seller's own yard. Buyer shall save, indemnify, defend and hold harmless Seller from and against any claims of whatsoever nature arising from pollution or contamination emanating from any other source, including but not limited to pollution or contamination emanating from the property owned or controlled by Buyer or from the well or reservoir and any costs or damages arising from the control of or damage to a well or loss or damage to any reservoir. The indemnities herein shall apply regardless of cause, and regardless of negligence of any kind by the indemnified party.
- 14.5 Notwithstanding any other provision in the Contract to the contrary, the total aggregate liability of Seller with respect to the Work whether based on law, contract, warranty, negligence, strict liability or otherwise, shall in no event exceed 20% of the Contract Price actual paid to Seller and Buyer releases and agrees to indemnify and hold Seller harmless from any liability in excess thereof.
- 14.6 The remedies described in the Contract shall constitute the Buyer's sole remedies against Seller for any liability of Seller under or in any way connected with the Contract.
- 15 Confidentiality**
- 15.1 All information exchanged between the parties, including the terms of the Contract, shall be treated as confidential and shall not be disclosed to a third party without the other party's written permission, unless such information:
- a) is already in the unrestricted possession of the party in question at the time the information was received;
- b) is or becomes part of the public domain;
- c) is rightfully received from a third party, without an obligation of confidentiality;
- d) is required to be disclosed by law.
- This confidentiality clause shall survive the expiration or termination of this Contract.
- 16 Security for payment**
- 16.1 Upon Seller's request, Buyer shall provide a letter of credit or other guarantee from a bank or other financial institution acceptable to Seller amounting to 100% of the Contract Price. Seller shall be entitled to withhold commencement of the Work until such required security has been provided by Buyer. If the Contract Price is increased as a result of changes made in accordance with clause 8, Seller shall be entitled to demand a corresponding increase of the relevant security provided by Buyer.
- 17 Waiver**
- 17.1 No waiver by Seller of any breach of any of the terms and conditions of the Contract shall be construed as a waiver of any subsequent breach whether of the same or of any other term or condition hereof. No waiver shall be validly made unless made in writing.
- 17.2 No failure or delay on the part of Seller to exercise any power, right or remedy under this Contract shall operate as a waiver thereof nor shall any single or partial exercise by the Seller of any power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy.
- 18 Assignment and sub-contracting**
- 18.1 Buyer shall not be entitled to assign his rights and obligations under the Contract to any third party without Seller's prior written consent, which shall not be unreasonably withheld.
- 18.2 Seller shall not be entitled to assign his rights and obligations under the Contract to any third party without Buyer's prior written consent, which shall not be unreasonably be withheld.
- 18.3 Seller shall be entitled to subcontract parts of the Work to third parties.
- 19 Applicable law and disputes**
- 19.1 This Contract shall be governed by and interpreted in accordance with Norwegian law.
- 19.2 Any disputes arising as a result or in connection with the Contract, and which are not resolved by mutual agreement, shall be settled by ordinary court proceeding at the court of Stavanger, Norway.