



General Conditions for Equipment Supply

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A. SCOPE

1. The supply of compressor units, accessories, scope complementary items and spare parts, to be denominated subsequently as "goods", by Neuman & Esser América do Sul. Ltda., denominated subsequently "NEA", will be ruled by the agreed conditions, complemented by this document (General Conditions for Equipment Supply), whenever there are no conflicts between them.
2. Special dispositions which are not contained in the present "General Conditions" will be the object of a written agreement between NEA and the Buyer. In case these conditions and the Buyer's conditions diverge, the first one shall prevail.

B. GENERAL CRITERIA

1. The contractual delivery time for the goods will start after the issue of the Purchase Order acceptance by NEA.
2. The emission of the Purchase Order signed by the Buyer or its representative is the valid document for the startup of project activities and project engineering.
3. The modification of technical conditions of the project (change of operational conditions, modification of the supply scope, inclusion and/or modification and/or substitution of standards and applicable specifications previously received) will be evaluated by NEA and occasional technical and commercial impacts (price and delivery time modification) will be informed to the Buyer.
4. Unless clearly defined on the proposal, supervision of set up activities, commissioning and start up, training, and maintenance of the compressor after delivery are not included in the equipment's price.
5. To permit the delivery of items separately from the delivery of the main component (ex: early delivery of anchor bolts or other field assembly materials), the purchase order must indicate this items separately. In this case, NEA will provide all the necessary information.

C. COMPLIANCE WITH THE STATED DELIVERY TIME

1. In order to comply with the delivery time stated on the Proposal, it is essential that the Buyer or its representative approve the documentation supplied by NEA, within the limits established on the Proposal. In case no other deadline has been established, 15 running days will be considered as the maximum for approval after the emission of each set of documents by NEA.
2. For projects in which the client requires witnessing of testing and inspections activities, NEA will send a written notification to the Buyer at least one week prior to the events. In inspection activities marked as Hold Points, manufacturing will not continue until the Buyer or its representative attends to the inspection site, or communicates his desistance in written form.
3. Not complying with the above mentioned periods of approval and inspection will automatically imply in prorogation of the delivery time of goods by the corresponding number of days.

D. TAXES

1. The taxes indicated in the proposal represent the current rates on the date of proposal presentation. In case the proposed price is altered by the creation, extinction or alteration of rates and/or calculation basis, exemption or other types of tax benefits, the net value (excluding taxes) will be considered as a fixed reference for the calculation of the new price including taxes.
2. Regarding erection supervision, commissioning, start-up and tests - field services, the prices presented do not include any specific tax rates for labour service, since it depends on local country legislation where the service will be executed and invoiced.
3. Regarding Training services, even when executed on the compressor's installation site, the same above premises will apply.

E. SPARE PARTS

1. Please refer to the proposal for the tax classification (NCM) and taxes applied to the spare parts, that may differ from the tax

classification of the compressor unit. Spare parts for new machines that are purchased together with the compressor have cost and manufacturing benefits that are fully translated into the prices and delivery times.

2. If requested by the client, the spare parts can be acquired apart from the compressor, with its respective rates and tax classification, and without the cost and manufacturing benefits considered above.

F. PAYMENT

1. The payment is due up to 30 days after fulfillment of the events described in the commercial proposal.
2. In case spare parts are acquired after the placement of the compressor's Purchase Order, an advance payment of 50% of the order's total net value is to be made. The remaining shall be paid with the delivery of the parts.

G. PENALTIES

1. Whenever there is a delay in payment by the Buyer, NEA will charge penalty rates of 1% per month, administrative costs of 1% per month, and inflation costs according ABID rate, for the period between the due date and the date of actual payment.
2. After the conclusion of the final inspection by the client, in case the equipment needs to stay in our installations, costs of 2,0% of the Order's net value per week will be charged, for storage, insurance and preservation. If the compressor is maintained for more than 30 days, or by the end of the fiscal year, the parts should reach an agreement in which NEA does not suffer by any means financial or fiscal losses due to the non-delivery of the equipment.

H. PRICE READJUSTMENT

1. In case the order is in a foreign currency, the prices will be fixed, except in the cases foreseen by item I.
2. According to Brazilian Legislation n° 9.069 (1995), Article 27, Paragraph 4°, prices in national currency (R\$ - Reais) are fixed for a time span of 12 (twelve) months, after Purchase Order issue.
3. In case the project's delivery time is greater than 12 (twelve) months, the total value of supply will be readjusted according to the formula below:
 - TO BE DEFINED
4. The readjustment charge will be presented along with the charge for the corresponding basic value, and both, basic and readjustment should be paid on the same date. In case the values diverge, the non-controversial part of the calculation should be paid on the original date agreed for the payment.
5. If any alterations on the calculation systematic and/or application of the agreed readjustment, for reasons not bound to the involved parts, new price bases readjustment should be agreed upon by both parts.

I. MAINTENANCE OF THE FINANCIAL-ECONOMICAL BALANCE OF SUPPLY

1. The product offered contains a substantial amount of national contents, including the following items (whenever applicable and / or feasible):
 - Main driver (whenever it is an electrical motor);
 - Heat exchangers for gas and lubricant oil cooling;
 - Pulsation dampeners;
 - Liquid separator;
 - Other pressure vessels eventually applicable;
 - Valves (several types and applications);
 - Metallic structures (baseplates, supports, piping, etc.);
 - Electrical and mechanical interconnection materials;
 - Control and power panels;
 - Instrumentation parts and controls;
 - Local man work (managing, engineering, electro-mechanical assembly of the package, expediting of sub-suppliers, inspections, etc.).

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2. The national part corresponds to the nationalization index indicated in the proposal.
3. Whenever there is a substantial variation in the prices of raw material, auxiliary equipments and man work, NEA will present a new price basis, in order to maintain the financial-economical balance of the supply.
4. The offered product contains imported components, such as:
 - Bare compressor, manufactured in Germany;
 - Instrumentation parts and controls, acquired from several international suppliers;
 - Some engineering studies, such as Mechanical and Acoustic Analysis, according to the requirements of API 618 (whenever applicable to the supply);
5. The imported part corresponds to (1 – nationalization level), taking into consideration that the nationalization level is included in the proposal.
6. The parties consider the official EURO quotation in the day prior to the proposal's emission date.
7. Whenever there is a significant exchange rate variation, NEA will present a new price base, in order to maintain the financial-economical balance of the supply.

J. RESPONSIBILITY

1. NEA shall not be responsible for the consequences of force majeure, according to the terms stated in the Brazilian Legislation. NEA shall not be responsible for indirect damages and loss of profit.

K. TEMPORARY SUSPENSION OR PRORROGATION IN THE DELIVERY DATE

1. In case the Buyer requests a temporary suspension or the prorogation of the delivery date, and NEA can not attend to the request, the Buyer is obliged to indemnify NEA for all subsequent expenses, as well as the costs pertinent to these expenses.

L. CANCELATION OF THE PURCHASE ORDER

1. In case the order is canceled, Buyers shall pay NEA all costs already incurred, plus 10% of the Purchase Order net value.

M. GUARANTEES BY THE BUYER

1. Whenever the Purchase Order is issued, the Buyer shall issue an irrevocable, transferable and divisible Letter of Credit, valid until the last payment event, in a first class Brazilian bank or an international bank, with agency in Brazil (previously approved by Neuman & Esser América do Sul). This Letter of Credit shall cover the total amount of the Purchase Order (except the down-payment), and shall permit partial withdraws
2. This letter of credit shall be in our hands 30 (thirty) days after purchase order
3. All costs related to the emission of this Letter of Credit are responsibility of the Buyer.

N. FINANCIAL GUARANTEES BY NEA

1. Unless clearly stated on the proposal, the prices do not include any costs for the emission of bank guarantees such as:
 - Letter of Credit or Insurance Bond for advance payments;
 - Performance Bond;
2. In case this a requirement for this project, we will present the related costs to issue these guarantees;
3. In case the above situation applies, the Buyer should send back the guarantees issued by NEA, immediately after expiration;
4. In case the Buyer does not send the guarantees back, NEA will suspend the equipment warranty.

O. FORCE MAJEURE

1. NEA shall not be responsible for the consequences of force majeure, according to the terms stated in Brazilian Legislation.

2. In case of force majeure, the delivery time of the goods will be postponed by whatever time is necessary to adjust to the new situation. If necessary, the modification of the contractual conditions will be discussed in order to satisfy both parties.

P. LIMITS OF PENALTIES

1. The total amount of contractual penalties, for reasons imputable exclusively to NEA, and eventually enforced by the Buyer, is limited to 5% of the net value of the Contract / Purchase Order.

Q. MANUFACTURING WARRANTY

1. NEA warrants the operation conditions of the offered compressors, within the operating conditions specified by the Client:
 - Gas composition;
 - Suction gas pressure;
 - Suction gas temperature;
 - Utilities informed by the client;
 - Hazardous area classification informed by the client.
2. All equipment and its component parts are warranted against failure and flaws for the period established on the Proposal.
3. The warranty is granted taking as a premise the execution of the equipment's preservation in the field by the Buyer or its representative, according to the instructions contained in the project's documentation.
4. In case there is evidence of non-compliance, or partial compliance to the preservation procedures, NEA may consider the warranty conditions void.
5. In case of failures during the warranty period, NEA will carry through all necessary modifications, repairs or substitutions, free of charge, and delivered at the place of installation (CIF).
6. The repair, modification or substitution of parts or components, during the warranty period, will not extend the warranty time.
7. The replaced defective parts or components will be taken as NEA's property.
8. Wearing parts and components are not covered by this warranty:
 - Piston rings;
 - Guide ring;
 - Packing rings;
 - Cylinder valve internals;
9. NEA shall not be liable for the failure of equipment due to:
 - Changes in the project conditions previously specified by the client (gas composition, suction /discharge pressure and temperature, as well as utility conditions);
 - Changes in the operative conditions (prolonged start-up of the unit in which the compressor is installed, using a gas other than the one specified for operation);
 - Insufficiency or inadequacy of the "flushing" conducted on the suction piping;
 - Absence of quality and/or reliability on the client's units (power supply, cooling water supply, air or N2 supply for instrumentation);
 - Intervention on the equipment by non authorized personnel (not formally approved by NEA);
 - Absence of procedures (by the Client) informed on the NEA Manuals.
10. NEA will not be responsible for the equipment's condition after it is received by the client, during transportation (in case it happens on the client's behalf) and in storage before commissioning and field testing.
11. Unless clearly solicited by the client in its consultation, the prices presented do not cover for costs for the realization of preservation on behalf of NEA, between the delivery time and the beginning of the commissioning.
12. In case of prolonged storage after deliverance, whenever there is a request by the client for preservation, the additional costs inherent will be presented and added to the offered prices.
13. Absence of preservation or inadequate preservation of the equipment will result in voidance of the equipment's warranty on behalf of NEA.



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R. PERFORMANCE WARRANTY

1. NEA warrants the performance of the offered compressors, according to the project conditions formally specified by the client.
2. NEA commits to rectify the equipment with no costs for the Buyer if the offered performance (discharge pressure and flow) are not reached.
3. The equipment's performance will be evidenced during acceptance testing, in the installation site, always using the supplied instrumentation.
4. Unless solicited by the Client in the consultation and expressly declare on the technical proposal, the prices presented do not cover for the installation of special devices (placa de orificio, etc.) for the conduction of approval testing.
5. Whenever there is a later request by the client for the installation of such devices, the additional costs will be presented and added to the offered prices.

S. VIBRATION LEVELS WARRANTY

1. NEA guarantees the offered compressor's vibration levels, considering the Internal Standard NEA 4700/200E, which is based on VDI 2056, Machine Group D (piston compressors installed in fixed foundations, with rigidly supported piping).
2. Unless clearly declared on the technical proposal, the prices presented do not cover for the realization of vibration measurements.
3. In case there is a client's request for the realization of vibration measurements, the inherent additional costs will be presented and added to the offered prices.

T. NOISE LEVEL WARRANTY

1. The expected noise level is contained on the proposal, considering a single unit installed on the open field.
2. Due to the unique characteristics of each project and the influence of several variables which are external to the compressor (ambient noise level which can not be isolated in industrial environments, acoustics on the installation site, etc.), it is not possible to determine beforehand the final noise level for the unit installed on the field.
3. For this reason, the value presented on the proposal is an estimate, based on our experience with this type of equipment, and taking into consideration that Engineering will consider this requisite whenever specifying equipment which is part of our supply scope.
4. Unless expressly declared on the technical proposal, the prices presented do not cover any costs for the realization of noise level measurements.
5. In case the client requires noise level measurements, the inherent additional costs will be presented and added to the offered prices.

U. INDUSTRIAL PROPERTY

1. NEA reserves the property and authorship of the offers, projects, models, industrialization concepts, drawings and further elements inherent to the product manufactured or in manufacturing. All information, drawings and specifications supplied to the Buyer will remain its exclusive property, and can not be reproduced, communicated and/or delivered to third parties without previous written consent.
2. NEA may, at any moment, request the devolution of these documents.
3. It is NEA's responsibility all actions regarding brands, registry, patents and such, related to the products, systems and/or services it supplies.
4. NEA can not be held responsible in case third parties seek judicial instances or complaints of any kind regarding merchandise produced based on drawings, projects and technical prescription by the Client.

V. ANALYSIS AND ACCEPTANCE OF THE TERMS SUBMITTED IN THE PRESENT "GENERAL CONDITIONS FOR EQUIPMENT SUPPLY"

1. The present "GENERAL CONDITIONS FOR EQUIPMENT SUPPLY" document has been fully and clearly made available to the CLIENT for his/her analysis, as well as the respective "PROPOSALS FOR THE PROVIDEMENT OF PRODUCTS AND SYSTEMS AND/OR SERVICE PROVIDEMENT". Considering the case of an eventual contracting, all terms and conditions hereby portrayed and also the respective "PROVIDEMENT PROPOSALS" are properly understood, studied and accepted.

W. FORUM

2. In case judicial instances are sought, the parts elect the Forum of the city of Belo Horizonte, province of Minas Gerais, renouncing any other, as privileged as it is.

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