



**Agenda
City of Vernon
Special City Council Meeting
Thursday, March 12, 2020, 09:00 AM
City Hall, Council Chamber
4305 Santa Fe Avenue
Vernon, California**

**Melissa Ybarra, Mayor
Leticia Lopez, Mayor Pro Tem
William Davis, Council Member
Carol Menke, Council Member
Diana Gonzales, Council Member**

CALL TO ORDER

FLAG SALUTE

ROLL CALL

CHANGES TO THE AGENDA

PUBLIC COMMENT

At this time the public is encouraged to address the City Council on any matter that is within the subject matter jurisdiction of the City Council. The public will also be given a chance to comment on matters which are on the posted agenda during City Council deliberation on those specific matters.

CONSENT CALENDAR

All matters listed on the Consent Calendar are to be approved with one motion. Items may be removed from the Consent Calendar by any member of the Council. Those items removed will be considered immediately after the Consent Calendar.

1. Public Utilities

[Purchase Contract with Rolls Wood Group for the Inspection and Evaluation of the H. Gonzales 571K Gas Turbine Unit 1](#)

Recommendation:

A. Find that the proposed action is exempt from the California Environmental Quality Act (CEQA) review, because purchasing vehicles is an administrative activity that will not result in direct or indirect physical changes in the environment, and therefore does not constitute a "project" as defined by CEQA Guidelines §15061(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and

B. Approve and authorize the City Administrator to execute a purchase contract in the amount of \$65,100 with Rolls Wood Group to disassemble, clean, and inspect the damage to H. Gonzales 571K Gas Turbine Unit 1.

1. [Rolls Wood Group Quote and Terms](#)

CLOSED SESSION

2. **PUBLIC EMPLOYMENT DISCIPLINE/DISMISSAL/RELEASE**

Pursuant to Government Code Section 54957

One Matter

3. **PUBLIC EMPLOYEE APPOINTMENT/PUBLIC EMPLOYMENT**

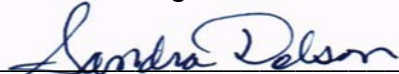
Pursuant to Government Code Section 54957

Title: Interim City Attorney

ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing agenda was posted on the bulletin board at the main entrance of the City of Vernon City Hall, located at 4305 Santa Fe Avenue, Vernon, California, and on the City's website, not less than 24 hours prior to the meeting set forth on this agenda. Dated this 11th day of March, 2020.

By: _____



Sandra Dolson, Administrative Secretary

City Council Agenda Item Report

Agenda Item No. COV-108-2020
Submitted by: Jessica Balandran
Submitting Department: Public Utilities
Meeting Date: March 12, 2020

SUBJECT

Purchase Contract with Rolls Wood Group for the Inspection and Evaluation of the H. Gonzales 571K Gas Turbine Unit 1

Recommendation:

- A. Find that the proposed action is exempt from the California Environmental Quality Act (CEQA) review, because purchasing vehicles is an administrative activity that will not result in direct or indirect physical changes in the environment, and therefore does not constitute a “project” as defined by CEQA Guidelines §15061(b)(3), the general rule that CEQA only applies to projects that may have a significant effect on the environment; and
- B. Approve and authorize the City Administrator to execute a purchase contract in the amount of \$65,100 with Rolls Wood Group to disassemble, clean, and inspect the damage to H. Gonzales 571K Gas Turbine Unit 1.

Background:

Recently, the H. Gonzales 571K Gas Turbine Unit 1 (Unit) suffered a compressor failure and must be examined by the sole authorized vendor, Rolls Wood Group (RWG). This Unit was originally placed into service in the 1980s and very few are still in service to date. Vernon Public Utilities (VPU) has two H. Gonzales Units that provide peaking energy into the California Independent System Operator (CAISO) grid. The Units also provide local capacity to VPU which would otherwise need to be purchased in the market at a costly rate. Due to Unit 1 being inoperable, the City must spend more money to purchase this capacity from the market, and must continue to do so until the Unit can be placed back into service.

Each of the Units are very unique, requiring specialized inspection and repair. RWG has provided VPU a quote with a scope of work to disassemble, clean, and inspect Unit 1, which includes a limited warranty and round trip freight fees. The total extent of the damage to the Unit cannot be determined in the field resulting in the need to transport it to and from Houston, Texas, where RWG is located. Upon completion of the thorough inspection and evaluation, RWG will provide VPU with an additional quote for any and all necessary repair work, which will be brought to City Council for review and approval in the near future.

With a previous parts purchase from RWG in July 2019, totaling \$41,506.97, coupled with the recommended expenditure of \$65,100, the total amount of purchases from this vendor within a 12 month period would exceed \$100,000. It is, therefore, required that City Council approve the proposed purchase contract, pursuant to Vernon Municipal Code Section 2.17.02.

Staff recommends approval of this purchase contract due to the significant financial need to place the Unit back into service at the earliest date possible.

The terms in the attached quote have been reviewed and approved by the City Attorney's Office.

Fiscal Impact:

The fiscal impact to disassemble, clean, and inspect, including roundtrip freight, will be \$65,100. This includes the following breakout charges:

- Flat Rate DCI Price \$56,100 (disassemble, clean, and inspect)
- Freight (flat rate plus insurance Vernon, CA to Houston, TX) \$4,500
- Freight (flat rate plus insurance Houston TX, to Vernon, CA) \$4,500

Upon inspection and evaluation, an additional scope of work will be provided by RWG to include the estimated hourly rate for anticipated repairs 570/571 Hourly Rate \$235. Once the work and associated costs for the repair of Unit 1 are identified, staff will return to City Council for authorization to issue a purchase contract to complete its restoration.

Funds are available in the Public Utilities Fiscal Year 2019-2020 budget.

Attachments:

1. [Rolls Wood Group Quote and Terms](#)

02/20/2020

City of Vernon Public Utilities
4305 S. Santa Fe Avenue
Vernon, CA 90058

Attn: Mr. Don Quiroz & Mr. Jorrie Estrada

Subject: Model 571K Repair Inspection Quote, RWG2112

Dear Gentlemen,

RWG is pleased to provide the following pricing for the Disassembly, Cleaning & Inspection (DCI) for repair of one of the City of Vernon's Model 571K Gas Turbines which has suffered a compressor failure.

Background

Based upon borescope photos and information reported to RWG, it appears that the subject unit suffered a 7th stage compressor blade failure with secondary downstream damage. The total extent of the damage cannot be determined in the field resulting in the need for a shop visit.

Workscope

The proposed workscope is to determine the extent of the damage, possible source and requirement to return the unit to service. RWG proposes a DCI workscope as follows:

- Collect gas turbine from City of Vernon site and move to RWG's Houston, Texas Facility.
- Receive, inventory and photograph the unit upon induction into the RWG facility.
- Separate the compressor from the hot section (Combustion, GP and PT sections)
- Disassemble compressor sufficiently to remove the compressor rotor.
- Complete a visual inspection of the compressor rotor and cases to assess extent of damage.
- Review the Combustion Liner and GP turbine for damage. Disassemble as required should damage be noted.
- Review the PT section for damage. Disassemble as required should damage be noted.
- Based upon initial visual inspections above, proceed with cleaning of components as needed. Present any additional workscope changes.
- Complete repair inspection determines disposition of discrepant parts.
- Based upon inspection results, assemble disassembly report and cost estimate for presentation to City of Vernon for review and approval.
- Hold pending release by City of Vernon.

- Flat Rate DCI Price (Includes all above)	\$56,100.00 USD
- Freight (Flat Rate Vernon, CA to Houston, TX)	\$ 4,500.00 USD
- Freight (Flat Rate Houston, TX to Vernon, CA)	\$ 4,500.00 USD
- 570/571 Hourly Rate, Other	\$ 235.00 USD

General Information/Terms

- Model 570/571 Gas Turbine testing is no longer offered by RWG, all post repair operation will take place upon unit install at customer site.
- Seal break-In steps, if required, will be provided to the customer. An RWG Field Service Representative can be made available for initial commissioning at customer request. Please provide your request for commissioning assistance prior to final pricing.
- The Model 570/571 OEM no longer supports R&O activities and therefore RWG makes no representation as to the extent of availability of replacement parts for the Model 570/571 Gas Turbine. All efforts will be made to secure/obtain the necessary replacement parts to return unit to operating condition.

Due to the possible unavailability of replacement parts for the 570/571, RWG assumes no liability/responsibility for the customer's inability to operate the unit should it be determined the unit cannot be returned to service.

Warranty

RWG offers a limited workmanship warranty of 6 months from date of shipment of unit, limited to areas of the unit directly addressed/accessed by RWG for the purpose of this repair.

RWG offers no warranty on replacement parts since the OEM no longer produces replacement parts for the Model 570/571 gas turbine.

Turn-Time

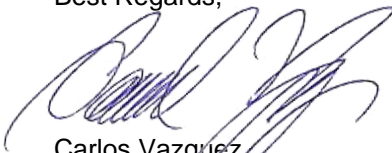
Estimated turn-time for the above workscope is 30-45 days from date of induction at RWG's Houston, Texas facility.

Payment Terms

Net 30 days from date of invoice pending credit approval for repair value, unless otherwise negotiated.

RWG thanks the City of Vernon for the opportunity to quote its Gas Turbine Services. Please feel free to contact me with any questions or concerns you may have.

Best Regards,



Carlos Vazquez
Customer Support Manager

RWG (Repair & Overhauls) USA, Inc.

TERMS of BUSINESS for the REPAIR, OVERHAUL & EXCHANGE of INDUSTRIAL & MARINE GAS TURBINES, MODULES & POWER TURBINES - ISSUE 9 – NOVEMBER 2017

Clause 1 - Definitions

In this Contract, unless the context otherwise requires:-

"Contract" shall mean the agreement between RWG and the Customer for the provision of the Services and shall include these Terms of Business and any other documents specified as forming part of the Contract.

"Customer" shall mean the party contracting with RWG for the provision of the Services.

"Equipment" shall mean an industrial or marine gas turbine(s) manufactured by the OEM, or a module(s) (being a single major assembly of a gas generator deemed a module by the OEM), or a power turbine(s), or an accessory(s) or component(s), and which is/are the subject of the Services under the Contract.

"Estimated Life" shall mean the number of running hours between Overhauls as may from time to time be estimated by RWG in respect of any of the Equipment.

"OEM" shall mean the Original Equipment Manufacturer being either Siemens AG or Rolls-Royce plc or their respective subsidiary companies as the case may be.

"Overhaul" of Equipment shall mean the strip, inspection, necessary replacement or salvage of Parts, re-assembly and testing to allow such Equipment to commence another Estimated Life comparable with Equipment of a similar standard, in accordance with the applicable OEM overhaul manuals.

"Parts" shall mean any component or combination of components comprised in the Equipment and acquired from the OEM or from a source approved by the OEM or RWG, whether or not the part is of OEM manufacture.

"Repair" of Equipment shall mean restoration to a serviceable condition to allow such Equipment to continue towards completion of the remainder of the Estimated Life.

"RWG" shall mean RWG (Repair & Overhauls) USA Inc, with its primary premises at 6223 West Sam Houston Parkway North, Houston, Texas 77041, USA, and with a branch location at Wellheads Industrial Centre, Dyce, Aberdeen, AB21 7GA, Scotland, UK.

"Services" shall mean all work, including any Repair or Overhaul, to be carried out or services to be performed by RWG pursuant to the Contract.

Clause 2 - Undertaking to Repair or Overhaul the Equipment

RWG undertakes to Overhaul or Repair the Equipment in accordance with these Terms of Business subject to the following, unless otherwise agreed:

(i) The Customer will, unless otherwise agreed in writing between the parties, deliver the Equipment unloaded (DAP Incoterms 2010) to RWG premises, complete to the appropriate checklist, in suitable packing cases and transport stands.

(ii) The Customer will, not later than the time of delivery of the Equipment instruct RWG in writing by way of purchase or work/service order as to the Services required to be performed.

(iii) Repair or Overhaul shall be to the modification standard recommended by RWG.

(iv) On completion of the Services RWG will deliver the Equipment loaded (EXW Incoterms 2010) RWG facility.

Clause 3 - Inspection, Testing and Acceptance

3.1 The Customer may, at reasonable times and subject to prior agreement with RWG, during the performance of the Services, attend RWG's facility to witness the carrying out of the Services.

3.2 RWG shall carry out testing of the Equipment on completion of the Services at a time and place that will be notified to the Customer in writing in advance of completion. Subject to giving 10 calendar days' notice to RWG the Customer may attend and witness such testing.

3.3 If during witnessing of (i) the carrying out of the Services or (ii) testing of the Equipment, the Customer notifies RWG of any defect in the workmanship and/or material provided by RWG and RWG accepts that there is a defect, RWG shall rectify such defect at its cost and expense and, if appropriate, re-test the Equipment. In the event that such defect arises outside the scope of the Services the cost of rectification and/or re-testing shall be added to the Contract Price in accordance with Clause 10 – Variations.

3.4 Completion of the Services and acceptance of the Services by the Customer shall, subject to Clause 3.3 above, be deemed to have taken place on completion of testing.

Clause 4 - Turnaround Time

4.1 Following receipt and induction of the Equipment RWG will notify the Customer of the estimated turnaround time. Upon evaluation of the Equipment the estimated turnaround time may be adjusted by RWG and upon notification in writing to Customer it shall become "the turnaround time". RWG shall be under no liability to the Customer for delay in meeting the turnaround time. Any such delay shall not constitute a material breach of the Contract.

4.2 If RWG or a subcontractor of RWG is delayed in the performance of the Services by any act or omission of the Customer, its authorised representative or agent then RWG shall be entitled to an extension to the turnaround time at least equivalent to the period of such delay.

4.3 If after presentation of the cost estimate to the Customer, approval to proceed is not received from the Customer within a period of twenty working days, the Equipment may, at RWG's discretion, be packaged and protected for medium to long term storage in suitable containers provided by RWG and removed to a storage facility. A one-off packing charge of \$3,500 USD (exclusive of sales taxes) will apply from the date of storage. A storage charge of \$40 USD (exclusive of sales taxes) per day will apply commencing one calendar month after the date of storage. Storage fees will be billed on a monthly basis (pro-rata). As of the date of storage, RWG will have the right to invoice and the Customer shall be obliged to pay in accordance with Clause 6, for the part of the Services performed up to the date of storage.

Clause 5 - Contract Price

Unless otherwise agreed the labour and materials used for the Services shall be charged at RWG standard rates current at the time of completion of the Services. The total of such labour and material charges shall constitute the Contract Price.

Clause 6 - Invoicing and Payment

6.1 RWG shall issue an invoice for the Contract Price to the Customer immediately on completion of the Services. The Customer shall make payment electronically within 30 days from the date of invoice. Payment shall be made, in the currency nominated by RWG, to Wells Fargo Bank, 1000 Louisiana St., 7th Floor, Houston, Texas, 77002:

ABA – 121000248, A/C No – 4128414927, BIC/SWIFT CODE – WFBIUS6S

6.2 In the event of delay in payment and/or unjustified withholding of payment by the Customer, RWG shall be entitled at its sole option to (i) charge interest at the rate of the lessor of 18% per annum or the highest interest rate allowed by law, and/or (ii) retain the Equipment in its possession until full payment is made.

6.3 RWG reserves the right to modify payment terms for the Customer if, in RWG's sole judgment, the Customer's financial condition materially deteriorates or RWG becomes aware of circumstances that may materially and adversely impact the Customer's ability to meet its financial obligations when due. These rights of RWG to modify payment terms are in addition to RWG's rights under the Contract.

Clause 7 - Tax

All taxes, duties or similar charges which are the responsibility of the Customer and which RWG are required to pay shall be invoiced to the Customer and are reimbursable to RWG in accordance with Clause 6.

Clause 8 - Warranty

8.1 Workmanship Warranty

Workmanship includes all work performed and serviceable materials provided by RWG during a Repair or Overhaul, or sold over the counter, in accordance with industry standards, practices or specifications. Workmanship does not include factory new material which is covered under 8.2. RWG warrants that all work performed by RWG be free of defects in workmanship. If a failure or malfunction occurs and becomes apparent during the warranty period shown under 8.6 and is shown to have been caused by a defect in workmanship (as defined above) by RWG in the performance of Services, then the Equipment shall be returned to a serviceable condition at RWG's expense. The defect must be located in an area which has been the subject of the Services by RWG and the cost of rectifying the defect shall not exceed the Contract Price for the Services.

8.2 OEM Warranty

All new material is warranted by the OEM. RWG offers no warranty on new material. RWG will, on behalf of the Customer and at Customer's request, pursue any such warranty matters with the OEM. Any amounts received on a favourable warranty basis will be credited to Customer's account for the full amount granted by the OEM.

8.3 Notification of Warranty Claim

Customer must deliver written notification to RWG within thirty (30) calendar days after the claimed defect is discovered. The warranty claim notification must detail a description of the reason for the claim, the operating hours on the affected unit, and the date of the failure/incident.

8.4 Warranty Investigation & Remedy

All warranty claims shall be investigated by RWG to determine cause, claim validity and financial responsibility. Customer shall deliver the claimed defective equipment along with ALL attached or related components (including engine records) needed to determine the cause(s) of defect(s) to RWG with transportation charges prepaid to the RWG facility. The equipment shall be delivered within sixty (60) calendar days from the date of receipt of the written warranty claim notification to RWG. If warranty work can be performed by RWG at the Customer's site at an equal or lesser cost to RWG and the Customer agrees, all warranty work will be covered by RWG in full.

Work performed on an emergency basis at the Customer's site shall be performed under a Customer purchase order with a request or claim for warranty consideration. As soon as possible after completion of work, RWG shall complete the warranty investigation and via a warranty review board determine the validity of the warranty claim and advise Customer of any costs that may be charged to their purchase order. All approved warranty claims will be remedied at no cost to the Customer, including standard return freight. Costs in excess of the Contract price will be the responsibility of the Customer.

8.5 Limitations

The sole obligation of RWG under this warranty is limited to the repair of the Equipment covered by this warranty without charge to Customer. This warranty does not include any remedy or liability for incidental or consequential

damages of any kind, including, but not limited to: (i) normal or fair wear & tear (e.g. corrosion/erosion of combustion liners and other hot section parts), (ii) damage to other property, (iii) costs or expenses of operation, removal, transportation (except return freight) or reinstallation of engines, modules, accessories or components, (iv) customs, tax, or duty of any kind, (v) commercial losses or lost profits or downtime costs due to loss of use of Equipment or otherwise, (vi) cost of capital or cost of substitute equipment, facilities or services, (vii) claims of Customer's customers for any damages (viii) any loss or damage caused by an act of war.

This warranty shall not apply if Customer or its agent(s) act in any way adversely affecting the performance or reliability of the Equipment covered by this warranty, including, but not limited to: (i) problems attributable in any way to the failure of Customer to preserve, install, operate, maintain, repair, replace or alter the Equipment in accordance with OEM recommendations, (ii) any misuse, neglect or accident in transit, storage or operation of the Equipment, (iii) repair by any other service outlet unless there has been prior written approval by RWG, (iv) damage caused by a foreign object.

THIS WARRANTY IS EXPRESSLY IN LIEU OF ANY AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND OF ANY NON-CONTRACTUAL LIABILITIES INCLUDING PRODUCT LIABILITIES BASED UPON NEGLIGENCE OR STRICT LIABILITY. ANY ADDITIONAL OR DIFFERENT LIABILITIES MUST BE ASSURED IN WRITING AND SIGNED BY AN AUTHORISED OFFICER OF RWG.

8.6 Workmanship Warranty Period

Warranty begins on the date of shipment from the RWG facility. Engines and engine modules overhauled or repaired in RWG's facility shall have a warranty period of twelve (12) months from date of installation or 18 months from date of shipment.

8.7 Transferability

This warranty is fully transferable with the following provisions: RWG must be notified of the transfer of ownership within thirty-days of the date of ownership change; A site inspection by RWG will be required to validate proper installation, operation, as well as a thorough borescope inspection; The new owner MUST issue a chargeable purchase order to cover 100% of the inspection charges at standard field service rates; Upon completion of the inspection, RWG will advise the new owner of any repairs, corrections, or otherwise required to validate the warranty transfer; A certificate of warranty transfer will be issued to the new owner once ALL repairs, corrections, etc. have been completed to RWG satisfaction; On all validated warranty transfers, the remaining warranty period will continue from the original date of shipment.

Clause 9 - Exchange Conditions (Where Applicable)

9.1 Where the Customer is exchanging their Equipment for Equipment belonging to RWG, title to the Customer's Equipment will transfer to RWG upon receipt at RWG's facility. Title to the RWG Equipment being exchanged shall pass to the Customer at the time of payment in cleared funds by the Customer of the full invoice price. Risk to RWG's exchange Equipment shall pass to the Customer on leaving RWG's facility.

9.2 The Customer warrants that the Customer's exchange Equipment, unless otherwise agreed between the parties:- (i) has not been subject to a failure at the time of last being taken out of service;(ii) has been taken out of service solely due to its having reached the number of running hours recommended by the manufacturer; (iii) has at no time suffered a blade failure or foreign object damage; (iv) has only been subject to fair wear and tear in normal use; (v) is complete in respect that it comprises all parts and components specified on the manufacturer's specification current at the date of the Customer Purchase Order for the model and type of unit referred to therein; (vi) is configured in the manner stated in the Customer Purchase Order; (vii) will be shipped to

RWG in an manufacturer approved shipping container; (viii) when shipped to RWG, will be accompanied by the service history, all logbooks duly completed and all manufacturer's operating and maintenance manuals; (ix) will be delivered to RWG no later than 30 days after delivery by RWG to the Customer of the RWG exchange Equipment.

9.3 The Customer warrants it has ownership in, and title to, the Customer's exchange Equipment and that it has discharged all liens, charges, claims and other encumbrances, which may have applied to Customer's exchange Equipment.

9.4 In the event of the Customer being in breach of any of the aforesaid warranties RWG shall be entitled, in its sole discretion and without prejudice to its other rights under the Contract or otherwise at law, to either of the following remedies:- (1) to payment by the Customer on demand of the costs and the expenses incurred by RWG in preparing or acquiring the RWG exchange Equipment plus a sum in respect of reasonable profit to be expected on the exchange or (2) to continue with the exchange and to increase the Contract Price (before addition of duties, fees and taxes) by a maximum of one hundred percent (100%). If RWG chooses to exercise either of these remedies this shall be in addition to, not in substitution for, any other remedies open to it in contract, at law or otherwise.

Clause 10 - Variations

The Customer may instruct a variation to the Services in writing. Also RWG may vary the Contract Price as necessary as a result of any rectification and/or re-testing due to additional work that arises outside the scope of the Services. Any resulting increase or decrease in the Contract Price, and/or change in turnaround time shall be notified by RWG to the Customer in writing.

Clause 11 - Title

Title to the Equipment shall at all times remain with the Customer. Title and risk to Parts supplied or fitted to the Equipment shall pass to the Customer at the time of delivery, excepting always those Parts which may be the subject of ownership of a third party. Title to and risk of loss of or damage to all Parts removed or replaced from the Equipment whether scrap or repairable, shall pass to RWG at the time of such removal or replacement.

Clause 12 - Indemnities

THE FOLLOWING PROVISIONS SHALL BE APPLICABLE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW:

12.1 EXCEPT AS PROVIDED ELSEWHERE IN THIS AGREEMENT TO THE CONTRARY, RWG AGREES TO RELEASE, DEFEND, INDEMNIFY AND HOLD CUSTOMER HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES, LIABILITY OR CAUSES OF ACTION FOR PERSONAL INJURY, DISEASE, ILLNESS, DEATH, OR PROPERTY DAMAGE OR LOSS ARISING TO RWG, ITS EMPLOYEES OR SUBCONTRACTORS OF EVERY TIER **REGARDLESS OF CAUSE, AND EVEN IF CAUSED BY THE SOLE, JOINT, COMPARATIVE, CONTRIBUTORY OR CONCURRENT NEGLIGENCE, FAULT, STRICT LIABILITY OR PRODUCT LIABILITY OF CUSTOMER.**

12.2 CUSTOMER AGREES TO RELEASE, DEFEND, INDEMNIFY AND HOLD RWG HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES, LIABILITY OR CAUSES OF ACTION FOR PERSONAL INJURY, DISEASE, ILLNESS, DEATH OR PROPERTY DAMAGE OR LOSS ARISING TO CUSTOMER, CUSTOMER'S CO-VENTURERS, JOINT OWNERS, CUSTOMERS, ITS AND THEIR EMPLOYEES OR OTHER CONTRACTORS OF EVERY TIER **REGARDLESS OF CAUSE, AND EVEN IF CAUSED BY THE SOLE, JOINT, COMPARATIVE, CONTRIBUTORY OR CONCURRENT NEGLIGENCE, FAULT, STRICT LIABILITY OR PRODUCT LIABILITY OF RWG.**

12.3 NOTWITHSTANDING THE PROVISIONS OF 12.1 AND 12.2 RWG AGREES TO RELEASE, DEFEND, INDEMNIFY AND HOLD CUSTOMER HARMLESS FROM ANY LOSS OF OR DAMAGE TO THE EQUIPMENT WHEN IT IS IN THE CARE, CUSTODY AND CONTROL OF RWG AT RWG'S FACILITY, SUCH CUSTODY CEASING ONCE THE EQUIPMENT IS DEFINED BY RWG AS (EXW INCOTERMS 2010) RWG FACILITY.

12.4 RWG SHALL BE SOLELY RESPONSIBLE FOR, SHALL RELEASE CUSTOMER FROM, AND SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS CUSTOMER AGAINST ALL CLAIMS AND LOSSES ARISING FROM OR ATTRIBUTABLE TO THE DEATH OF OR INJURY TO THIRD PARTIES AND FOR ANY LOSS OR DAMAGE TO PROPERTY OF THIRD PARTIES, WHEN CAUSED BY OR RESULTING FROM THE NEGLIGENCE OR STRICT LIABILITY OF RWG, PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR STRICT LIABILITY OF CUSTOMER AND RWG, RWG'S INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO ITS ALLOCABLE SHARE BASED ON THE JOINT OR CONCURRENT NEGLIGENCE OR STRICT LIABILITY OF RWG.

12.5 CUSTOMER SHALL BE SOLELY RESPONSIBLE FOR, SHALL RELEASE RWG FROM, AND SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS RWG AGAINST ALL CLAIMS AND LOSSES ARISING FROM OR ATTRIBUTABLE TO THE DEATH OF OR INJURY TO THIRD PARTIES AND FOR ANY LOSS OR DAMAGE TO PROPERTY OF THIRD PARTIES, WHEN CAUSED BY OR RESULTING FROM THE NEGLIGENCE OR STRICT LIABILITY OF CUSTOMER, PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR STRICT LIABILITY OF RWG AND CUSTOMER, CUSTOMER'S INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO ITS ALLOCABLE SHARE BASED ON THE JOINT OR CONCURRENT NEGLIGENCE OR STRICT LIABILITY OF CUSTOMER.

12.6 SAVE AS PROVIDED IN CLAUSE 12.3 NOTWITHSTANDING ANY OTHER PROVISION IN THIS AGREEMENT TO THE CONTRARY, CUSTOMER AGREES THAT RWG SHALL NOT BE LIABLE FOR, AND CUSTOMER SHALL RELEASE, DEFEND, INDEMNIFY AND HOLD HARMLESS RWG, ITS DIVISIONS, SUBSIDIARIES, PARENT AND AFFILIATED COMPANIES AND THE OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES, AGENTS, SERVANTS AND INSURERS OF ALL OF THEM FROM AND AGAINST ANY CLAIMS, LIABILITY, EXPENSES, ATTORNEYS FEES AND COSTS OF DEFENSE TO THE EXTENT PERMITTED BY LAW, FOR: (1) DAMAGE TO PROPERTY OWNED BY, IN THE POSSESSION OF, OR LEASED BY CUSTOMER; and (2) PERSONAL INJURY, DEATH OR PROPERTY DAMAGE OR ANY DAMAGES WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH OR RESULTING FROM POLLUTION, FIRE, EXPLOSION, OR THE USE OF HAZARDOUS OR RADIOACTIVE MATERIALS. **THE DEFENSE, INDEMNITY, RELEASE AND HOLD HARMLESS OBLIGATIONS OF CUSTOMER PROVIDED FOR ABOVE APPLY TO CLAIMS OR LIABILITY EVEN IF CONTRIBUTED TO OR CAUSED BY THE SOLE, JOINT, COMPARATIVE, CONTRIBUTORY OR CONCURRENT NEGLIGENCE, FAULT, STRICT LIABILITY OR PRODUCT LIABILITY OF RWG, OR ANY DEFECT IN THE DATA, PRODUCTS, SUPPLIES, MATERIALS OR EQUIPMENT OF RWG WHETHER IN THE PREPARATION, DESIGN, MANUFACTURE, MAINTENANCE, DISTRIBUTION OR MARKETING THEREOF, OR FROM A FAILURE TO WARN ANY PERSON OF SUCH DEFECT**

12.7 EACH PARTY SHALL PROCURE AND MAINTAIN INSURANCE IN THE TYPES AND AMOUNTS NECESSARY TO COVER THE OBLIGATIONS ASSUMED BY THEM HEREUNDER IN SO FAR AS SUCH OBLIGATIONS ARE INSURABLE UNDER COMMERCIALY AVAILABLE POLICIES AND FURTHER AGREES TO REQUIRE SUCH UNDERWRITERS TO WAIVE SUBROGATION RIGHTS FOR ANY APPLICABLE

INSURANCE THAT WOULD COVER LIABILITIES WITH RESPECT TO THE INDEMNITIES AND LIMITATIONS ON LIABILITY SET FORTH IN CLAUSES 12 AND 16.

Clause 13 - Confidentiality and Ownership of Intellectual Property Rights

13.1 All information disclosed by either party to the other in connection with the performance of the Contract, except such information as may be generally available to the public, shall be disclosed in confidence and each party is obliged to keep any such information as it may acquire confidential and, save as required by applicable laws, court order or regulations (including but not limited to any directions by any authorised Stock Exchange, not disclose it to any third party or otherwise improperly use it while the Contract is in effect or after its termination or expiry except insofar as such information has entered the public domain otherwise than in breach of this Clause.

13.2 RWG shall on behalf of itself and as agent for its shareholders retain ownership of all intellectual property rights of whatever nature and, if registrable, whether registered or not, in all documents or other material and data or other information and devices or processes provided or created by RWG in the performance of the Services.

Clause 14 - Termination

14.1 Either party may terminate the Contract for any reason other than those set out in 14.2 at any time by giving the other party not less than thirty (30) days written notice of such termination. In the event that the Customer is the terminating party the Customer shall pay RWG for (i) all Services completed or work in progress at the date of such notice (ii) all reasonable costs and expenses incurred by RWG arising out of or as a result of termination including but not limited to supplier's and subcontractor's cancellation charges together with all costs and expenses incurred by RWG in returning the Equipment to Customer and (iii) a sum of reasonable compensation in respect of the profit expected by RWG on completion of the Services. In the event that RWG is the terminating party RWG's sole liability to the Customer shall be the costs and expenses incurred in returning the Equipment to the Customer (EXW Incoterms 2010) RWG facility.

14.2 Subject to Clauses 14.3 and 14.4 either party shall have the right to terminate the Contract after giving fourteen (14) days written notice should the other (the Defaulting Party) (i) be in material breach of its obligations under the Contract, (ii) file a voluntary petition in bankruptcy; (iii) be adjudged bankrupt and such judgement is unstayed for more than thirty (30) days thereafter, (iv) have a court take and retain, for at least thirty (30) days, jurisdiction of its assets under federal reorganization act, (v) have a receiver for a substantial portion of its assets appointed by a court and such appointment is not vacated or stayed within thirty (30) days, (vi) become insolvent or suspends business, makes an assignment for the benefits of its creditors, or ceases or threatens to cease to carry on business.

14.3 Where the Defaulting Party is RWG and RWG fails to commence, or having commenced, fails to continue to remedy the material breach within 14 days from date of the notice, the Customer may recover from RWG any reasonable excess costs that the Customer incurs in having the Services completed by a RWG approved contractor.

14.4 Where the Defaulting Party is the Customer and the Customer fails to commence, or having commenced, fails to continue to remedy the material breach within 14 days from the date of the notice, the Customer shall make payment to RWG in accordance with the provisions of 14.1 above.

Clause 15 - Force Majeure

15.1 No failure or omission by RWG to carry out the Services shall give the Customer a claim against RWG or be deemed a breach of the Contract to the extent that such failure or omission arises from any act or omission of the Customer, or sub-contractor of the Customer or from Force Majeure. Force Majeure shall mean any cause beyond the reasonable control of RWG including but not limited to any national or provincial industrial dispute,

Government action, fire, flood, hurricane, earthquake, volcanic eruption, act of God, war declared or undeclared, civil commotion, riots, insurrection or military uprising or imposition of sanctions in accordance with Clause 24.

15.2 Should the Force Majeure event(s) cause delay in performing the Services, the Customer shall grant RWG in writing either in advance or retrospectively such extension of time as may be reasonable. Should the Force Majeure event last for a period of more than 120 days, then either party at any time thereafter, and provided performance is still delayed or impeded, may by written notice to the other terminate the Contract. In this event RWG shall be entitled to be compensated in accordance with the provisions of 14.1. Notwithstanding the above in the event of the imposition of any sanctions in accordance with Clause 24 RWG shall have the right by notice in writing to the Customer to either suspend or terminate the Contract as the case may be with immediate effect.

Clause 16 - Limitation and Exclusion of Liability

16.1 IN NO EVENT, WHETHER BASED ON CONTRACT, INDEMNITY, WARRANTY, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE, SHALL EITHER PARTY, THEIR AFFILIATES AND THEIR EMPLOYEES, SUPPLIERS, AGENT, REPRESENTATIVES OR CONTRACTORS BE LIABLE TO THE OTHER PARTY FOR INDIRECT, SPECIAL, INCIDENTAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS OR REVENUE (WHETHER ANTICIPATED OR OTHERWISE), LOSS OF FACILITIES OR SERVICES, DOWNTIME COSTS, OR CLAIMS OF CUSTOMERS FOR SUCH DAMAGES, LOSS OF USE, LOSS OF PRODUCT OR LOSS OF CONTRACTS. THIS EXCLUSION OF CONSEQUENTIAL LIABILITIES IS NOT LIMITED IN ANY WAY BY ANY OTHER PROVISION IN THIS CONTRACT.

16.2 EXCEPT FOR RWG'S LIABILITY FOR LOSS OR DAMAGE TO THE EQUIPMENT OF THE CUSTOMER WHERE SUCH EQUIPMENT IS IN THE EXCLUSIVE CARE, CUSTODY AND CONTROL OF RWG AT RWG'S FACILITY AND FOR THE INDEMNITY PROVIDED BY RWG IN 12.1, THE TOTAL LIABILITY OF RWG TO THE CUSTOMER ARISING FROM THE PERFORMANCE OF THE SERVICES HEREUNDER, WHETHER BASED ON TORT, BREACH OF CONTRACT, WARRANTY, INDEMNITY OR ANY OTHER THEORY OF LIABILITY OR CAUSE OF ACTION, SHALL BE LIMITED TO THE REMUNERATION PAID BY THE CUSTOMER UNDER THE CONTRACT REGARDLESS OF WHETHER THE LIABILITY ARISES OUT OF RWG'S SOLE OR JOINT NEGLIGENCE OR STRICT LIABILITY. RWG'S LIABILITY FOR LOSS OR DAMAGE TO THE EQUIPMENT OF THE CUSTOMER WHEN SUCH EQUIPMENT IS IN THE EXCLUSIVE CARE, CUSTODY AND CONTROL OF RWG AT RWG'S FACILITY SHALL BE LIMITED TO THE REPLACEMENT VALUE OF SUCH EQUIPMENT TAKING INTO ACCOUNT THE AGE AND CONDITION OF THE EQUIPMENT CONCERNED.

16.3 THE EXPRESS BENEFITS OF THE WARRANTY GRANTED TO THE CUSTOMER UNDER CLAUSE 8, TOGETHER WITH THE EXPRESS REMEDIES PROVIDED TO THE CUSTOMER IN RESPECT OF THE SERVICES PROVIDED UNDER THE CONTRACT, REPRESENT THE ENTIRE RESPONSIBILITY AND LIABILITY OF RWG IN RESPECT OF ALL TERMS, CONDITIONS AND WARRANTIES, EXPRESS OR IMPLIED, WHETHER STATUTORY OR OTHERWISE, AND ANY OTHER OBLIGATIONS AND LIABILITIES WHATSOEVER OF RWG IN RESPECT OF THE SERVICES PERFORMED UNDER THE CONTRACT.

Clause 17 – Lien

RWG shall have a lien on all Equipment which is to be the subject of the Services, such lien may be satisfied pursuant to the Commercial Code of the State of Texas.

Clause 18 - Waiver

No failure or delay to exercise any right power or remedy on the part of either party will operate as a waiver, nor will any partial exercise preclude any further exercise of the same or of some other right, power or remedy.

Clause 19 – Severability

If any provision of these Terms of Business is found to be unenforceable or void in whole or in part, that provision or part thereof will, to the extent necessary, be severed from the Contract and will be ineffective without as far as possible modifying any other provision or part of the Contract, and the remaining terms and conditions will continue to be enforceable.

Clause 20- Dispute Resolution

Any dispute between the parties arising from the Contract that cannot be settled amicably through negotiation may be referred to arbitration. Arbitration will be governed by the Rules of the International Chamber of Commerce (ICC) or such other forum agreed by the parties in writing. The venue of the arbitration shall be Houston, Texas, USA. The arbitration shall be conducted in English and all pleadings before it shall be in English.

The parties are obliged to provide all facilities and information requested relating to the dispute to the arbitrators. No refusal or default by any party or arbitrator will be permitted to obstruct or impede the arbitration process.

The arbitrators have the power to make awards of damages for breach of contract, to enforce performance, to award compensation and to award interest on any monetary award, and to decide upon and award expenses. Decisions by the arbitrators shall be binding and final and may be enforced through a court of competent jurisdiction.

Clause 21 – Governing Law

The Contract shall be subject to, interpreted, construed and performed in accordance with the Laws of Texas, USA and governed by the exclusive jurisdiction of the federal courts of Texas, exclusive of any conflict of laws principles. Customer and RWG agree that this Contract is not a construction contract, and therefore, not governed by Texas Insurance Code Sections 151.001 through 151.151.

Clause 22 - Change of Law

Should the cost to RWG of performing the Contract be increased or reduced by reason of the making (or amendment), after the date of tender, of any law, Tax, order, regulation, or bye-law having the force of law that shall affect the performance RWG's obligations under the Contract, the amount of such increase or reduction shall be added to or deducted from the Contract Price as the case may be.

Clause 23 – Business Ethics

The Customer shall adhere to the standards set out in RWG's Business Ethics Policy, a copy of which is available on request and shall fully comply with this policy and with all other customary standards of business conduct. In the event of any inconsistency between the terms of RWG's and Customer's ethics policies the more stringent shall apply. The Customer shall defend, indemnify and hold RWG harmless from any penalties, fines, damage awards, administrative actions or liabilities asserted or assessed against RWG for Customer's failure to comply with this Clause 23. RWG reserves the right to terminate the Contract under Clause 14.2 in the event of the Customer's non-compliance with this Clause 23.

Clause 24 – End-User Controls

Customer certifies that the Equipment, Parts and/or Services will not be used in any weapons of mass destruction (WMD) proliferation or related programs and that any re-sale, re-export or transfer of the Equipment, Parts and/or Services shall comply with all applicable UN, US, EU and national export control regulations. Customer also certifies that any re-sale, re-export or transfer of the Equipment, Parts and/or Services shall not violate any applicable UN, US, EU or National Economic Sanctions nor will the Equipment, Parts and/or Services be re-sold, leased, re-exported, transferred or otherwise to any person or entity that is subject to any prohibition,

denial order or is otherwise deemed impermissible under UN, US, EU or national economic sanctions programs. Customer shall comply with an End-User Undertaking if requested.

Clause 25 – Assignment

Customer may not assign any right or interest in the Contract without the prior written consent of RWG.

Clause 26 - Survival

The obligations under Clauses 2, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17, 20, 21, 22, 23 and 24 shall survive the expiry or early termination of the Contract or any agreement subject to the terms of the Contract.

Clause 27 – Entire Agreement

The Contract constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, including for the avoidance of doubt any terms and conditions which the Customer purports to apply under any purchase order or other acceptance of RWG's quotation, relating to its subject matter.