

Annex #5- Draft State Procurement Contract

(The terms and conditions of the State Procurement Contract may be adjusted by the time of signing the contract, based on the negotiations between parties)

Tbilisi

_____ 2018

JSC “Georgian Oil and Gas Corporation” (hereinafter referred to as “Corporation” or “GOGC”) represented by its Technical Director, Mr. Zaqaria Avaliani, on the one hand and

[] (hereinafter referred as the “Contractor”) on the other hand represented by []

Whereas, Contractor is announced to be the successful bidder with the price of GEL ----- in the tender for the Construction Works of the -----) announced by GOGC for the year --- in accordance with 1.“p” paragraph of article 3 of the Law of Georgia on “State Procurement”,

Considering tender documentation, Contractor’s BID and applicable law and signing the Contract agree on the following:

1. Definitions

The words, terms and expressions used in the Contract shall have the following meaning:

1. “Work Schedule” means a schedule prepared by the Contractor, indicating terms of particular works, which represent the integral part of the contract – Annex #;
2. “Supervisory (inspection) Team” means a team of persons appointed by GOGC who shall control the work process and performance of contractual terms on site;
3. “Acceptance Certificate” means the document signed by the authorized representatives of the parties which confirms the volume of performed works. The Acceptance Certificate is based on the findings produced by the Supervisory (inspection) Team;
4. “Completion Date” means the date of finalizing the entire volume of works, which shall be no more than -----;
5. “Contractual Terms” means terms which are provided in the present Contract and its annexes;
6. “Contract” means the present document, its annexes and amendments and modifications thereof;
7. “Contract Annexes” means documents, which are provided in clause 3.2. including their amendments and modifications;
8. “Contractor’s Representative” means an authorized representative appointed by the Contractor;
9. “Contract Value” is ----- GEL, and includes all relevant taxes and payables considered by the Georgian legislation
10. “Contractor” for the purposes of this contract means -----;
11. “Day” means calendar day;
12. “Defect” means nonperformance or undue performance of any works or part of works, which are envisaged by the contract, project documents and/or bidding documents;
13. “Defect Correction Act” means the document signed by the authorized representatives of the contract parties, which verifies the fact of Defect correction by the Contractor;
14. “Guarantee Period” means 12 month period, from the moment of signing the Acceptance Certificate confirming the completion of the total volume of works;
15. “Drawings” mean graphic depictions, which are the integral part of the design documents;
16. “Effective date of the Contract-the date of entry into the force” means the date of signing the contract by authorized representatives of the parties;
17. “GOGC” means JSC Georgian Oil and Gas Corporation;
18. “Materials to be provided by GOGC” means materials which GOGC provides to Contractor for the work purposes in the volumes outlined in Annex N of the Contract;
19. “Machinery” means Contractors equipment, machines, mechanisms and facilities which are positioned and or used at the construction site to perform works;
20. “Materials” mean all materials and among them expenditure materials, used by the Contractor in the process of work;
21. “Supervisory (inspection) Team Leader” means representative appointed by GOGC who on behalf of GOGC is authorized to act for the purposes of the Contract and give respective instructions and/or recommendations to the Contractor in course of works performed;
22. “Works” mean activities determined by the Contract which in details are described in the design documents and

regulated by construction rules, norms and standards applicable in Georgia and include but are not limited to earth and concrete works, installation of pipes and fittings, welding, isolation, all kinds of testing and examinations, also conducting the same or similar works when eliminating the identified defects;

23. "Third party" means any natural person and/or legal entity that has or may have legal rights and obligations to the Contract parties in connection to the relations defined by the Contract.
24. "Construction Stage" means the construction work (removal of the fertile layer, welding and others) prescribed under the work schedule;

2. The Scope of the Contract and Parties obligations

1. The scope of the Contract is the procurement of Construction Works of the -----;
2. Contractor undertakes the obligation to construct the -----according to project documents, BIDs (the tender proposals rendered by Contractor among them) and terms of the Contract as well as to eliminate all revealed defects.
3. GOGC undertakes the obligation to reimburse Contractor for the works performed in accordance with the terms of the Contract.

3. Interpretation of the Contract

1. The titles do not make any significance when interpreting the terms of the Contract. The words in the Contract clauses have their ordinary meanings when interpreting the terms of the Contract. Only GOGC is entitled to issue definitions with regard to the Contract terms;

2. The Contract comprises of the following documents each of which shall be read and considered as the integral part of the Contract:

Annex #- Cost Estimate;

Annex #- Work Schedule;

Annex #- Project Documents (e-version on CD-R);

3. The originals of the design documents are stored in GOGC. One copy is given to the Contractor free of charge. If necessary, the Contractor shall make copies at their expenses;

4. Within a scope of the project documentation, the GOGC is authorized to give Contractor periodically additional design documents and instructions, which may become necessary for due and adequate performance of Works as well as to correct Defects. The Contractor shall ensure performance of works in accordance with the additional design documentation and instructions.

4. Contract Language

1. The Contract is completed in two copies in Georgian and English languages (if required). In case of discrepancy between the Georgian and English versions, version in Georgian language shall prevail.

5. Supervisory (Inspection) Team

1. In order to ensure duly and timely performance of the obligations undertaken by the Contractor, GOGC establishes the Supervisory (inspection) Team, guided by its leader. The team leader is entitled to issue relevant instructions and guidelines to the Contractor and/or give the notice to the Contractor to correct the defects, which may become necessary for due and timely performance of Works and/or to suspend any part of works, in the case the construction standard requirements defined under project documentation and applicable in the country and/or Contract terms are disregarded and request the Contractor to exercise without incurring additional expenses to GOGC. Performance of the instructions given in the notice on improvement of shortcomings is obligatory for the Contractor;

2. The Supervisory Team is obligated to check the work flow, the quality and terms of Work performance, as well as its consistency with the project;

3. Only on the basis of the Supervisory Team affirmative report the Acceptance Certificate of works (or their parts) can be signed.

6. Notifications

1. The notifications between the parties shall be effective only if they are made in writing and are delivered to the other Contract party. In case of the Contractor, the notifications can also be given to its representative; therefore, it will be considered that the notice given to the representative is given to the Contractor.

7. Assignment of Rights

1. Contractor shall not, without preliminary consent of GOGC, assign the contractual right or part of the right or any benefit or the interest envisaged under this Contract to the third party. Infringement of the norms set forth in this clause shall unconditionally be deemed as a breach of the Contract and any contract, agreement or similar document executed with the third parties, shall be deemed as void.

8. Subcontracting

1. Unless the GOGC is preliminary informed in writing and the respective written confirmation/acceptance is received from the GOGC, the Contractor is not entitled to subcontract the construction Work or its part. Such approval does not release the Contractor from performance of its contractual obligations, and the Contractor is liable for any actions conducted by its sub-contractor and service personnel as well as any defects in the performed work. The Contractor shall ensure that the Subcontractor adheres to the Contract terms.

9. Personnel

1. The Contractor shall hire personnel, qualified to perform assigned Works. When hiring the personnel with equal qualifications and experience, the Contractor shall give priority to the Georgian citizens;

2. For the purposes to perform and finalize Works as well as to correct Defects the Contractor shall hire only qualified personnel experienced in respective field and shall hire supervisors capable to establish respective supervision over the Works.

3. In the event the Supervisory (inspection) Team Leader addresses the Contractor to correct the shortcomings, which may also include the request, based on respective argumentation, to limit the Contractor's team member's performance, the Contractor shall ensure that the said person immediately leaves the construction site and will no longer work on contractual tasks;

4. The Contractor shall ensure its employees with residence, compensation, catering and transportation;

5. For the entire work period the Contractor shall ensure provision of safety regulations in accordance with the Georgian legislation and International standards defined under the project.

10. Representative of the Contractor

1. On behalf of the Contractor the contractor's representative is entitled to accept, all directives and instructions issued by the Supervisory (inspection) Team within a scope of the project documentation with regard to Work performance;

2. The Contractor shall not change its representative without GOGC prior consent. Such consent does not exempt Contractor from the contractual obligations.

11. Contractors Risks

1. From the day of commencement of Works until final Acceptance Certificate (on total volumes of works) is signed, Contractor shall

bear responsibility for the risks associated with physical injury or death of its personnel, risks for property (including works, appliances, materials, equipment, materials provided by GOGC) damage or loss as well as risks associated with environment pollution and Third Parties and shall fully compensate the damage in accordance with the Georgian legislation, incurred from such risks.

12. Guarantee Period

1. The Contractor guarantees that within -- month from the signature of final acceptance certificate (on total volumes of works) no defects/omissions will be revealed and in case such defects/omission are detected, the Contractor shall at its own expenses and responsibility eradicate them within a reasonable period assigned by the GOGC, except for the cases when defect/shortcoming is originated/conditioned by the qualitative inconsistency of the materials provided by the GOGC to the quality certificate issued by the manufacturer factory of materials and/or factory defect.

13. Correction of Defects and Compensate for Damages

1. The Contractor assumes full responsibility for any damage (direct or indirect) or loss, incurred to the GOGC within a scope of this Contract from the date of the entry into the force of the Contract to the guarantee period.

2. The Contractor, at its own expense, is obliged to correct any defect/omission so that the performed Work is in accordance with the Contract requirements.

3. All works related to improvement of the defects by the Contractor shall be performed in compliance with the project documentation and contractual terms, so that Contractor keeps GOGC immune from all claims, damages and expenses. .

4. The Contractor is also responsible to reimburse all damages, which it might cause to any Third Party while correcting any defects.

5. Any defect, for whatsoever reason, caused to intermediate works or their parts shall be corrected by the Contractor before final acceptance act is signed.

6. If, during the period of responsibility of the Contractor, the damage is incurred to the materials supplied by GOGC, the Contractor, at own expenses shall rectify the shortcomings and compensate the damage.

7. The Contractor shall not be responsible/liable under the paragraphs 1, 2 and 4 of this article, if defect/shortcoming/omission/loss is originated/conditioned by the qualitative inconsistency of the materials provided by the GOGC to the quality certificate issued by the manufacturer factory of materials and/or factory defect.

14. Performance of Works by the Contractor

1. The Contractor, shall take all efforts to plan (in the scope of the Contract), perform and finalize Works, also improve any shortcoming related to these Works, except for the cases when defect/shortcoming is originated/conditioned by the qualitative inconsistency of the materials provided by the GOGC to the quality certificate issued by the manufacturer factory of materials and/or factory defect. 2. The Contractor shall ensure overall supervision of Works, employment of work force, provision of necessary materials and equipment, as well as provision of all other either temporary or permanent works, necessary for performance of contractual obligations;

3. The Contractor shall carry out construction Works consistent with the project documents. Contractor shall immediately but no later than in two days, notify GOGC on any mistake, shortcoming, defect identified in the project documents;

4. The Contractor assumes full responsibility for stability and safety and consistency of the Work to be performed, as well as for adherence to the construction rules, norms and standards as defined under the project documentation and construction organization;

5. The Contractor shall adhere to and follow instructions regarding any issues related to the construction, issued by the

Supervisory (inspection) Team. Contractor is obliged to follow instructions issued by the GOGC or its authorized representative;

15. Effective Term of Works

1. The Contractor shall ensure completion of works during term set forth in the Work Schedule (annex #-);
2. While making the Work Schedule (Annex #-) the Contractor should take into the consideration that the date of the completion of the construction Works should be no more than ---- 201--.
3. After signing the Contract the Supplier is obliged to submit the Construction Organization Plan to the Purchaser for further agreement.

16. Health and Safety Issues

1. The Contractor is responsible for the safety of Works at the construction site and health security consistent with the legislation in force and project documentation provided in the Annex #- of the Contract.

17. Environmental, Cultural Heritage and Social Impact Issues

1. The Contractor, consistent with the effective Georgian legislation, is responsible for all possible negative impacts which the current Works may incur on environment, social environment and historical/cultural heritage;
2. The Contractor and Subcontractor, if any, are obliged to follow requirements of respective laws and provisions, with regard to environmental, social environment and historical/cultural heritage impact issues (which, without limitation includes prevention of environment pollution, protection of historical/cultural heritage and other urgent measures);
3. For the entire period of Works and as of the moment of their completion, also during the period of improvement of shortcomings, the Contractor shall apply all due measures to protect the adjacent area, social environment and historical/cultural heritage from the negative impact and particular persons from disturbance and damage of their property, which is related to environment pollution and other reasons.

18. Environment Pollution

1. After completion of Work, the Contractor shall ensure removal of construction waste generated during the construction process. Contractor is obliged to follow the requirements of GOGC which envisages conduct of cleanup measures during the work process;
2. After completion of works the contractor must remove immediately the equipment, materials and temporary constructions and similar facilities belonging to the contractor and subcontractor, if any;
3. The contractor assumes obligation to keep the soil and water secure from pollution, which is caused by spilling, penetration, or fuel, engine oil materials, paints, grounding materials, spilling of dilatants, waste and other materials, which is owned or controlled by contractor or subcontractor, and assumes obligation to displace and also to keep GOGC secure ("the party secure from damage") against claims, requests, expenses, court litigation, loss and other expenses incurred as a result of negligence of the contractor or when violating the rights of third parties.
4. The contractor is obliged to ensure separated collection (hazardous and non-hazardous) of waste generated as a result of works, record them, temporarily keep them secure and assign for neutralization-processing purposes, to the relevant body having the due license.
5. When conducting construction works, any damage or loss, incurred to the property of the third party, shall be immediately restored by the contractor to its primary condition and replaced with the item of identical value or the better one, or shall be duly compensated. This condition is subject to negotiation between contractor and affected third party (parties).
6. After restoration of the affected land parcels, the Contractor must draw up relevant acceptance certificate with the land

owner, which shall be signed by the third party as well as the authorized representative of the contractor.

19. Materials to be provided by GOGC

1. GOGC shall provide materials to the Contractor according to the list and location provided in annex #4.
2. The Acceptance Certificate, which includes the title, quantities, technical specifications and conditions of the materials provided, is drawn up when delivering materials to the Contractor.
3. The Contractor, at its own expense and responsibility, shall ensure transportation of materials envisaged in article 19.1. from ----- to the construction site, as well as their upload, download, processing, storage and security.
4. All risks, related to security, storage and sufficient usage of the materials provided to the Contractor is assumed by the Contractor, from the moment of signature of the acceptance certificate.
5. The Contractor is obliged to store materials according to the required storage terms;
6. The Contractor is accountable to GOGC with regard to the materials provided and in case of request shall submit relevant document on their usage, as well as on their location. In case inconsistency between the quality and quantity of received materials with the actually existing ones is detected, which has to be supported by relevant act, the Contractor is obliged to improve the shortcoming and/or inconsistency at its own expenses, by means of supplying analogous materials having the same quality or upon agreement of the parties – by compensating the cost of relevant materials.
7. From materials provided to the Contractor, later at own expenses and responsibility shall ensure full return of unused and remaining materials to GOGC. Given materials shall be transported and warehoused to GOGC's Pipe yard: in Mtskheta region, Saguramo village;
8. The Contractor shall, with own funds purchase all materials and equipment which are envisaged under the project and are not transferred to the Contractor under the Annex #4.

20. Licenses and Permits

1. The Purchaser gives the Supplier construction permit obtained from state agencies, as well as confers the Supplier his authority to use easement right for the land plots and for the right of way. In case, the process of obtaining the easement right for the land plot(s) and/or the right of way is delayed for the reason beyond the Purchaser's cause, the Supplier is obliged to ensure the implementation of works specified by the contract without delay for those land plots where respective authorization for their use has been obtained.
2. In case, in reasonable timeframe, before the deadline of the works specified by clause ---- of the contract, the purchaser fails to obtain the authority to use easement rights for the land plots and the right of way envisaged by clause 20.1 of the contract, the Purchaser is authorized to unilaterally make a decision regarding the changes in the scope and/or terms of the work for certain land plots specified by this contract.
3. The Contractor, at his risk and expenses, shall obtain permits and licenses necessary for carrying out works other than those provided under abovementioned paragraph;
4. The Contractor shall at its own expenses obtain the right to use additional land required temporarily for the implementation of construction activities. The necessity of additional land usage is determined solely by the Contractor. The Contractor is responsible for any loss or damage caused to the land owner, user or any other party.

21. Schedule of Works

1. Control over the work performance is exercised based on work schedule (Annex #- of this Contract).
2. GOGC reserves the right to request suspension of any construction activity before Contractor ensures completion of the previous or next construction activity according to the schedule given in Annex #-.

22. Timely Notice

1. The Contractor shall send timely notice to the GOGC for the anticipated events and circumstances which may negatively affect the Work process.

23. Work Quality and Inspection

1. Quality of work shall correspond to the quality considered under the Contract and requirements of the project documentation. Work quality will periodically be inspected by GOGC at construction sites or other territories. The Contractor shall ensure all equipment, technique and means necessary for testing and also issue advance notice (no later than 48 hours before holding testing) which shall allow GOGC to attend any inspection or testing;
2. All Works shall be systematically inspected and quality checked in accordance to the project documentation. The Contractor shall provide GOGC the daily completed Works reports and as needed carry out measures to eradicate problems. Documents and reports on defects, among them on environmental and safety issues shall be given to GOGC;
3. The Supervisory (inspection) Team Leader should be immediately, no later than 24 hours from the defect identification, be informed on all defects identified on the basis of quality control, and the instruction regarding improvement measures should be issued by him/her. In the event the shortcoming is identified in the activities of the Contractor, the latter shall make improvement within the reasonable term indicated in the notice of the Supervisory (inspection) Team Leader;
4. If the Supervisory (inspection) Team or invited quality evaluator (if any) identifies breaches, the parties have to be informed immediately;
5. Neither construction Work nor its part shall be performed without control, inspection and relevant act of GOGC. The Contractor is required to notify GOGC on its readiness to commence any Work.
6. The Contractor, according to the instructions of GOGC, shall make inspections of work available. The Contractors shall ensure performance of any part of works consistent with GOGC requirements and project documentation;
7. GOGC and other authorized persons, consistent with the requirements of the Contract, resolution and regulatory framework, for the purpose to evaluate consistency with the contract and work process, have the right at any reasonable time to conduct site inspections. The Contractor shall ensure provision of respective, safe and reliable facilities;
8. The Contractor, using its own sources, shall immediately commence rectification of the defects identified by GOGC. . The Acceptance Certificate of works between the parties shall not be drawn up unless improvement is made. In the event the Contractor fails to make improvements, this will be considered as a breach of the contractual terms.

24. Testing

1. Unless otherwise formulated in the project documents, the Contractor, within the course of Works and without additional compensation, shall conduct all inspections envisaged by the Contract. The GOGC shall in no less than two days prior to such testing to be conducted by the Contractor or its Subcontractor receive notice, so that GOGC can attend it. Attendance or absence of GOGC at testing does not exempt the Contractor from the responsibility for defective Works or Materials;

2. Once the notice is received, the GOGC shall confirm that works are in the phase that testing is possible and if needed shall make arrangements for attendance of appropriate persons. The results of tests held without confirmation of GOGC shall not be taken into account by GOGC. Making records on the results of the tests shall be made in acceptable for GOGC form and shall be signed to confirm that both parties, Contractors and GOGC acknowledge the authenticity of this record;
3. The Contractor at own expenses shall ensure delivery of all necessary samples;
4. All tests envisaged in the present Contract should be conducted at the expense of the Contractor. If the testing reveals that the quality of works or materials does not correspond with the contractual terms the cost of additional testing, requested by GOGC, should be covered by the Contractor;
5. The GOGC has the right to request performance of unexpected testing under the Contract at the expenses of the Contractor to make sure that Work, Materials or Equipment are in accordance with the Contract requirements.
6. If the results of testing of any Materials (except for the materials provided by the GOGC) turn out to be unsatisfactory, Contractor shall ensure restoration of the Material or its substitution. Contractor must at own expenses and consistent with the procedures indicated in clause 24.1 and 24.2 repeat testing.
7. If during hydrotesting per procedure provided in the annex of the given Contract, a caliper plate has identified defects, the Contractor shall furnish and run a caliper/geometry inspection tool with instrumentation having defect location capabilities at own expense.
8. GOGC is entitled to request testing outside the premises of the facility, which is not determined by the Contract, in order to make sure that Works, Materials or Equipment are consistent with the Contract terms. GOGC should the Contractor in advance notify on such requirement so that later can hold such testing and at the same time not defer other requirements of the Contract.

25. Improvement of Shortcomings

1. After completion of contracted Works, before the works guarantee period expire, GOGC shall send to Contractor the notification on eradication/improvement of shortcoming/defect except for the cases when defect/shortcoming is originated/conditioned by the qualitative inconsistency of the materials provided by the GOGC to the quality certificate issued by the manufacturer factory of materials and/or factory defect.;
2. On each notification, he Contractor shall make appropriate improvements during the term indicated in the notification. Breach of such term is the substantial breach of the Contract.
3. The construction stage where shortcoming is revealed will not be reimbursed. Unless shortcoming is corrected, there will be no reimbursement of shortcoming as well as entire construction stage performed.

26. Amendments

1. Only GOGC has the right to make amendments regarding the Work volumes, among them on draft amendments initiated by the Contractor. Such amendments may include addition, reduction, cancelation, substitution or other changes to the scope of works.
2. The Contractor, according to the amendments requested by the GOGC, shall ensure preparation of bill of quantities (cost estimate), also other annexes of the Contract, which should be based on unit cost.
3. The amendments made in the Contract enter into the force after they are signed by the parties.

27. Acceptance of Works

1. Work or its part shall be deemed as accepted only after the Acceptance Certificate on performed works is signed by both parties. The date of acceptance of works shall be the date stated in Acceptance Certificate.
2. Following the signature of the Contract, by the end of each month the Contractor shall submit GOGC detailed information on performed Works as well as detailed bill of quantities (cost estimate; form 2) and the Acceptance Certificate to be processed. Except GOGC have some comments, Acceptance Certificate shall be signed within 10 (ten) days after submission. Comments,

if any, shall be sent to the Contractor in writing within 10 (ten) business days.

3. The Contractor, by its expense ensures correction of the defect or shortcoming detected by the GOGC as a result of final inspection and/or when accepting the Works, except for the cases when defect/shortcoming is originated/conditioned by the qualitative inconsistency of the materials provided by the GOGC to the quality certificate issued by the manufacturer factory of materials and/or factory defect.

4. The Acceptance Certificate is signed by GOGC and the Contractor's authorized respective on the basis of the report of the Inspection Team.

28. Payment

1. In case of the written request of the Contractor, within 5 business days after relevant bank guarantee indicated in Article 35 is submitted the GOGC shall pay to the Contractor 20% of the Contract Value as an advance payment;

2. Payment for the performed Works shall be made in non-cash payment form, not earlier 8 and not later 10 business days after the submission to and confirmation by the GOGC of the detailed bill of quantities (cost estimate; form 2), Acceptance Act and Invoice;

3. When making payments to the Contractor, GOGC shall deduct 25% (twenty five percent) indicated in the invoice amount from the amount paid in advance unless total amount of advance payment is exhausted. After the advance payment is fully exhausted under the method mentioned above, GOGC shall fully compensate the amount indicated in the invoice for performed Works;

4. Contractor's requisites: -----

29. Taxes

1. Contractor is responsible to pay all taxes, payables and fees envisaged by effective legislation.

30. Payment Currency Envisaged by the Contract

1. All payments envisaged by the Contract are exercised in GEL.

31. Responsibility of the Contractor

1. In case Contractor fails to perform contracted volume of Works fully and fails to process relevant Acceptance Certificate with GOGC, before the Completion Date occurs, which represents the violation of the Contract term, the Contractor shall pay to GOGC the penalty in the amount of 0.1% from the value of undelivered Works for each delayed day. GOGC is entitled to deduct penalty amount from the amount payable to the Contractor;

2. If Contractor breaches the Contract, GOGC, consistent with article 34 is entitled to terminate the Contract and apply the Contract performance bank guarantee submitted by the Contractor as well as the advance payment bank guarantee (the latter shall be used by GOGC if as of the moment of Contract termination, the total amount of advance payment has not been fully deducted out of the amounts paid to the Contractor for performed works,).

32. Performance of Work

1. Works shall be considered as completed after the Acceptance Certificate on full volumes of Works is signed.

33. Operation and Technical Service Manuals

1. Prior to processing Acceptance Certificate on full volumes of Works, the Contractor shall in accordance to the project documentation, ensure submission of construction drawings and other technical documents to GOGC

2. If the Contractor fails to submit construction drawings and other technical documents to GOGC prior to signature of Acceptance Certificate on full volumes of works in accordance to the explanatory note (Annex #-), GOGC retains the right to suspend processing of the Acceptance Certificate for the full volume of Works.

34. Grounds to Terminate the Contract

1. The Contractor is entitled to terminate the Contract in accordance to the Georgian Legislation if GOGC does not fulfill obligations assumed under the present Contract;

2. GOGC is entitled to terminate the Contract if the Contractor does not fulfill (breaches) obligations undertaken, among them:

2.1. The Contractor does not or cannot, fulfill the requirements indicated in the notice of improvements, within a time indicated in the notice;

2.2. The works conducted by the Contractor are in violation of project document terms;

2.3. The amount of penalty to be paid by the Contractor exceeds 5% of Contract Value;

2.4. The Contractor fails to ensure extension of the bank guarantee term, which shall coincide with the guarantee term of performed Works.

2.5. The Contractor fails to mobilize in stages and/or use the required quantity of equipment with the relevant specifications during the performance of Works;

2.6. The Contractor fails to mobilize the necessary number of personnel with the relevant qualification during the performance of Works.

2.7. If it becomes known that the documents re qualification and experience submitted by the Contractor are forged;

2.8. In case of the bankruptcy or insolvency proceedings initiated against the Contractor;

2.9. Contractor twice or more failed to follow the Works Schedule given in Annex #-;

2.10. Contractor, failed to submit the Works to be provided under Annex #-, within the timeframe given in the notice of the GOGC.

3. Purchaser reserves right to terminate this Contract at any stage of its implementation;

4. GOGC and Contractor can bilaterally terminate present Contract at any stage upon mutual agreement;

5. In the case of termination, the Contractor immediately stops activities, ensures safety of the site and within reasonable terms agreed between the Contractor and GOGC leaves the site. The Contractor shall also list the Materials provided by the GOGC and ensure their delivery to the GOGC to the location and within the timeframe specified by GOGC.

6. In the event of termination of the Contract by the GOGC for the nonperformance or undue performance, Contractor shall be responsible to reimburse all losses and damages suffered by GOGC within one month following the termination of the Contract as well as indemnify GOGC from the legal claims of Third Parties.

35. Advance Payment Bank Guarantee to be Submitted to GOGC

1. Upon Supplier's request advance payment may be effected as follows: Purchaser shall transfer advance payment in an amount not exceeding 20% of total contractual value based on unconditional and irrevocable bank guarantee (in GEL) issued by banking institution on the amount similar to the advance payment amount to be transferred to Supplier. Guarantee shall be issued by a bank qualified B+ or higher Fitch international rating or equivalent. JSC "Georgian Oil and Gas Corporation" shall be indicated as Beneficiary in bank guarantee and its validity shall exceed Works completion deadline defined in the contract for at least 30 (thirty) calendar days;

2. Bank guarantee specified in paragraph 35.1 shall consider bank's unconditional and irrevocable liability to reimburse complete amount of bank guarantee or part thereof upon Purchaser's first request.

3. Advance payment bank guarantee shall be returned to the Contractor within 15 calendar days after total advance payment amount is deducted from the amounts payable to the Contractor for performed works.

4. In case of Contract termination GOGC shall be entitled to reimburse unrealized advance from advance payment bank guarantee.

5. The Supplier registered in the White List of the State Procurement Agency of Georgia shall be entitled to submit the bank guarantee amounting to the half of the requested value.

36. Performance Security Bank Guarantee

1. The Contractor before signing the Contract shall submit to GOGC unconditional and irrevocable bank guarantee (in GEL) for the amount of 5% of the Contract value. Such bank guarantee shall remain valid for 13 (thirteen) months following the Completion Date. The bank issuing the guarantee shall have at minimum as granted by "B+" Fitch rating or other equivalent rating granted by other international rating agency. The beneficiary of the guarantee shall be GOGC.

2. A bank guarantee indicated in clause 36.1. of the contract envisages unconditional and irrevocable obligation of the bank to pay full amount to GOGC;

3. Payment of the bank guarantee does not exempt Contractor from the obligation to compensate GOGC for the damages incurred as a result of failure to perform Contract and not covered by the bank guarantee;

4. In the event the Contractor fails to finalize full volume of works prior to Completion Date, the Contractor within five calendar days after written instructions of GOGC is received, is obliged to extend the effective term of the bank guarantee by way of fulfilling the period indicated in clause 36.1;

5. In case of nonfulfillment or undue fulfillment of the obligations set forth by the present Contract, GOGC has the authority to fully use the performance security guarantee and request the sum of the given guarantee, notwithstanding whether present Contract is terminated or not.

37. Force Majeure

1. On the basis of the Contract, neither party is responsible for nonperformance of its contractual obligations against the other party, if the nonperformance is caused by the Force Majeure circumstances - insurmountable power existence of which does not depend and could not have been predicted by the parties to the present Contract as of the moment of signing the Contract.

2. The Force Majeure means (but is not limited to) the existence of the following circumstances:

(a) natural disasters (fire, flood, earthquake) among them hard meteorological conditions, under which conduct of works may endanger life and health of the work force, mobilized equipment and machinery, materials delivered by GOGC;

(b) declared on undeclared war, civil unrest, any military actions, occupation, annexation, declaration of the extraordinary state in the construction site or in its vicinity;

(c) epidemics;

(d) decision of the competent state bodies and issuance of such normative acts which affects performance of obligations by the parties and changes, revokes or suspends contract terms and provisions;

(e) existence of the circumstances which made impossible to conduct construction operations in accordance with the construction rules and regulations;

3. The party shall immediately notify the other party on occurrence of force majeure by existing communication means (telephone, post, fax, email, courier etc.) and no later than the second day of its origin send letter signed by the authorized person for representation;

4. Presence of force majeure does not automatically cause cancellation of the Contract. The parties are obliged to determine adjustment of the Contract to force majeure conditions; The Party to whom force majeure applies is, to the extent possible, responsible to find alternative ways in order to fulfill its obligations;

5. Upon termination of force majeure conditions, the parties immediately resume contractual obligations performance;

6. In case of force majeure, the obligations performance period shall be suspended for the span during which such circumstances occurred unless otherwise agreed by the parties.

7. Facts specified in written notification shall be certified by competent authority. Such certification shall not be necessary if facts are publicly known.

38. Applicable Law, Settlement of the Disputes

1. The Contract is governed by the Georgian Legislation and any dispute arising out of or in relation to it shall be decided according the Georgian Law.
2. Any dispute between the parties shall be decided through the negotiations. If parties cannot reach the settlement, then the dispute shall be referred to and decided by the Georgian Court.

39. Entering into Force and Term

1. Contract shall become effective upon parties signing thereon and shall be valid till -----.
2. Relevant provisions of the Contract shall remain valid until complete fulfillment of responsibilities undertaken by the parties.

40. Final Provisions

1. If any article, clause and/or provisions of this Contract are deemed invalid and/or void, this shall not affect validity of the remainder articles, clauses and/or provisions of the Contract;
2. Any communication between the parties required under the Contract shall be performed in writing and/or through e-mail (Purchaser - public@gogc.ge; Supplier - XXX);
3. Any annex and/or amendment and/or addition to this Contract represent integral part thereto.

41. Details and Signatures

JSC Georgian Oil and Gas Corporation
N 21 Kakheti Highway, Tbilisi, Georgia
Tel: + (995 32) 224 40 40
Fax: + (995 32) 224 40 41

JSC Bank of Georgia BAGAGE22 IBAN account №GE80BG0000000145770000
TBC Bank TBCBGE22 GE71TB7895736030100001

Zaqaria Avaliani,
Technical Director