

PURCHASING

General Terms and Conditions Applicable to All Purchase Order Numbers

1. Acceptance.

A. Seller's agreement to furnish the goods, materials, work, or services ("Deliverables") ordered by REA Energy Cooperative, Inc. shall constitute acceptance by Seller of this Purchase Order subject to these General Terms and Conditions.

B. The PO prevails over any additional, conflicting, or inconsistent terms which may appear on any agreement, invoice, purchase order, or their document furnished by Seller to Purchaser. Such terms provided by Seller shall be deemed objected to by Purchaser without need of further notice of objection and are not binding upon Purchaser, unless expressly accepted by Purchaser in writing and only to the extent accepted in such writing.

2. Shipping, Delivery; Risk of Loss; Inspection.

Seller shall supply the Goods to Purchaser at the delivery point identified on face of the PO ("Delivery Point") and by the date specified therein. Seller shall be responsible for ensuring the proper packaging of applicable Deliverables provided or purchased hereunder. This Purchase Order number(s) shall appear on all correspondence, shipping labels, and shipping documents including all packing lists, bills of lading and airbills. Unless otherwise agreed to in writing, shipping will be F.O.B. destination, freight prepaid by Seller. Time is of the essence in Delivery of the Goods. Unless otherwise specified in the supplemental terms, risk of loss and title to the Goods pass to Purchaser upon delivery and acceptance by Purchaser at the Delivery Point. All Goods are subject to Purchaser's inspection and approval. Goods that are damaged, defective, and/or nonconforming to the PO shall, at Purchaser's option, be (i) returned to Seller, at Seller's risk and expense, for immediate replacement by Seller, (ii) returned to Seller, at Seller's risk and expense, for a credit, or (iii) accepted with an equitable reduction in price. Seller shall not replace the Goods without Purchaser's written authorization.

3. Price.

A. The price for the Goods is set forth on the face of the PO. All prices are firm unless expressly accepted by Purchaser in writing. No additional charges of any kind are allowed including any form of service charges, any charges for boxing, packing, loading, bracing or cartage or any invoicing charge, unless expressly accepted by Purchaser in writing. All prices are in US dollars, unless otherwise expressly stated on the face of the PO.

B. Seller's prices are exclusive of any federal, state or local sales, use or excise taxes. Seller shall list separately on its invoice any such tax lawfully applicable to the Goods, and payable by Purchaser.

4. Invoice and Payment.

A. Unless otherwise specified in the PO, Seller shall (i) remit a separate invoice for each shipment and not issue an invoice prior to shipment of the Goods. Unless otherwise specified in the PO, Purchaser shall not pay for the Goods prior to receipt of both the Goods and a deficiency-free invoice. All invoices must show Purchaser's PO number.

B. Payment due dates, including discount periods, will be computed from the date of receipt of the Goods, or the date of receipt of a deficiency-free invoice, whichever is later. Payment will be made in accordance with the payment terms as stated on the face of the PO or the supplement terms. Purchaser reserves the right to set off any amount due Seller under the PO against any other amounts due to Seller under the PO or any other agreement between the parties. Payment for the Goods will not be construed as acceptance of the Goods.

5. Warranties.

A. Unless otherwise specified in the PO, Seller warrants all Goods shall be new, of recent manufacture, and best quality when delivered. Seller further warrants that all Goods (i) are free from all defects in design, material, and workmanship, (ii) conform and comply with the requirements of the PO, (iii) are fit for the purpose intended, and (iv) comply with all federal, state, and local laws, regulations, and rules.

B. If a Good does not conform to the standards forth in Section 5(A) and a breach occurs or is observed within (i) the earlier of one year from the date such Good is placed in use or eighteen months from the date of receipt of the shipment at the Delivery Point or (ii) a longer period as stated on the face of the PO, the supplemental terms, or provided by Seller's

suppliers, Seller shall, at Purchaser's option, promptly credit, replace or repair (without any cost to Purchaser including freight charges) the non-conforming Good. If Seller fails to promptly replace or pair the nonconforming Good to Purchaser's satisfaction, Purchaser may replace or repair the Goods and Seller shall promptly pay the expense thereof.

C. Unless otherwise provided in the supplemental terms, the replaced or repaired Good are re-warranted for a period of time equal to the original warranty as listed in Section 5(B).

6. Changes.

Purchaser may at any time change drawings, designs, specifications, methods of shipment and packaging, schedules and/or the Delivery Point. Any difference in price or schedule resulting from such changes shall be equitably adjusted and Purchaser will issue a written revision to the PO. Seller shall not suspend work while Purchaser and Seller are in the process of changing the PO.

7. Substitution.

No substitution of Goods or extra charges is permitted unless expressly accepted by Purchaser in writing. Goods delivered in error or in excess of the quantity ordered may be returned by Purchaser at Seller's risk and expense.

8. Assignment.

Seller may not subcontract or assign all or part of the PO voluntarily, by operation of law, or otherwise, nor may Seller assign any of the receivables payable under the PO, unless expressly accepted by Purchaser in writing. Any assignment of the PO in violation of the foregoing is voidable at the option of Purchaser.

9. Suspension.

Purchaser may suspend shipment of the Goods upon written notice to Seller and without penalty or cost to Purchaser due to any strikes, fires, accidents, acts of God, or other causes beyond the control of Purchaser, which affect its ability to receive or use the Goods.

Purchaser may suspend shipment of the Goods for any other reason upon written notice to Seller. Upon receipt of an invoice, Purchaser will pay Seller's reasonable and verifiable costs directly associated with the suspension.

10. Termination for Convenience.

Purchaser may terminate all or any part of the PO at any time upon written notice to Seller. Upon receipt of an invoice, Purchaser will pay Seller's reasonable and verifiable costs properly allocable to work performed on the terminated portion of the PO prior to effective date of the termination notice.

11. Termination for Default.

Purchaser may terminate all or part of the PO for default if Seller (i) breaches any obligation under the PO or (ii) if Seller becomes insolvent or the subject of any bankruptcy proceedings. Purchaser shall be entitled to all remedies available at law or equity in the event of termination for default including cost of cover.

12. Compliance with Laws.

Seller shall comply with all applicable federal, state and local laws, regulations, and rules applicable to its performance under the PO.

Any Goods that constitute hazardous materials under federal, state or local laws, regulations, or rules or agency order will be packaged, labeled, marked and shipped by Seller to comply with all federal, state, and local laws, regulations, and rules then in effect including the Hazardous Materials Transportation Act and its regulations, and will further comply with all special requirements, policies, and procedures of Purchaser relating to the purchase of hazardous materials as might be noted on the face of the PO or otherwise communicated to Seller in writing.

13. Indemnity.

To the maximum extent permitted by law, Seller shall indemnify, defend, and hold harmless Purchaser, its members, affiliates, subsidiaries, officers, directors, employees and agents from and against all claims, demands, causes of action or suits of whatever nature for losses, liability, damages, fines, penalties, awards, judgments, reasonable attorneys' fees, costs, or expenses including bodily injury or death to persons or property damage caused by or resulting from one or

more of the following: (i) Seller's or its subcontractors' or suppliers' negligence or intentional misconduct (but only to the extent of such negligence or intentional misconduct) in connection with the Goods (including any defects in the Goods or related to the sale, transportation or delivery of the Goods); (ii) any violation or failure of Seller or its subcontractor or suppliers to secure or pay for permits or licenses or comply with applicable laws; and (iii) any third party claim of infringement of any patent, trademark, copyright, trade secret or other intellectual property right utilized in connection with the Goods or deliverables. If all or any part of the Goods or deliverables are held to constitute infringement and the use thereof is enjoined, Seller shall promptly, at its own expense and Purchaser's option, (a) procure for Purchaser the perpetual right to continue to use the affected portion of infringing item, (b) replace the affected item with non-infringing Goods or deliverables acceptable to Purchaser or (c) refund the purchase price applicable to such infringing item. Replacement of the Goods or deliverables does not relieve Seller of the PO requirements

14. Limitation on Liability.

Purchaser's entire liability to Seller or any third party, if any, for any claims, demands, causes of action, arising in tort, contract, or otherwise, including with respect to any statutory claim, is limited solely to the price actually paid by Purchaser under this PO. Notwithstanding the foregoing limitation, purchaser shall not be liable to seller for special, indirect, economic, incidental, exemplary, punitive or consequential damages arising under these terms, or otherwise, with respect to the sale, purchase, or use of the goods, including any lost revenue or profits, business interruption or damage to business reputation, regardless of the theory upon which any claim may be based, including, without limitation, tort, breach of contract, breach of warranty, negligence, product liability or any statutory cause of action.

15. General Provisions.

A. The laws of the State of Pennsylvania (excluding both its conflict of laws and the United Nations Convention on Contracts for the International Sale of Goods) govern all matters arising out of or relating to the PO including its interpretation, construction, performance and enforcement. The parties submit to the exclusive jurisdiction in the courts of the State of Pennsylvania and venue is stipulated as Indiana County, Pennsylvania. If any part of the PO is found to be illegal, unenforceable or in violation of law, then, notwithstanding such term, all other terms of the PO shall remain in full force and effect. Any waiver of a term of the PO shall be in writing, and any failure by Purchaser at any time, or from time to time, to enforce or require the strict performance by Seller of any of the terms of the PO shall not constitute a waiver by Purchaser of Seller's breach of any such term and shall not affect or impair such term in any way, or the right of Purchaser at any time to avail itself of the remedies available to it under the PO. Terms of the PO which contemplate performance or obligations subsequent to completion or termination of the PO, including warranty, indemnification, and remedies will survive such completion or termination. Termination of the PO will not affect a party's rights and obligations that arose before termination.