

**RUN ENERGY, L.P. – PURCHASE ORDER TERMS AND CONDITIONS**

**1.0 Definitions**

In this Purchase Order:

“**Manuals**” means any manuals, directions, specifications or other documents relating to the use, operation, installation or manufacture of the Merchandize specified in this Purchase Order or customarily supplied or required for use with the Merchandize; “**Merchandize**” means the goods and/or services specified in this Purchase Order, including variations, as contemplated by section five (5) of this Purchase Order; “**Run Energy**” means Run Energy, L. P., a Texas Limited Partnership; and “**Supplier**” means the person, firm, entity or corporation to whom this Purchase Order is addressed or directed.

**2.0 Agreement**

This Purchase Order, together with any specifications or other documents incorporated in it by reference, and any quotations or other documents issued by the Supplier (to the extent that same are consistent with this Purchase Order) constitutes the entire agreement between the parties with respect to the purchase of the Merchandize. Changes to this Purchase Order will be binding only if specified in writing and signed by an authorized representative of Run Energy.

**3.0 Inspection**

3.1 Run Energy shall be entitled to inspect and test the Merchandize, including any materials and workmanship related to the Merchandize, at either Supplier's premises or at a location designated by Run Energy. Run Energy may (i) reject the Merchandize (or any materials or workmanship related to the Merchandize) if it does not comply with the requirements of this Purchase Order and/or (ii) direct Supplier to promptly repair or replace, at Supplier's sole expense, any rejected Merchandize or any materials and workmanship related to the Merchandize. If Supplier fails to promptly repair or replace the Merchandize or any materials or workmanship related to the Merchandize, Run Energy may seek repair or replacement of the Merchandize (including any materials and/or workmanship related to the Merchandize) and the cost for same shall be borne solely by Supplier.

3.2 Rejected Merchandize shall be removed promptly after notification of rejection and at Supplier's sole expense. Supplier shall bear all risk associated with the removal and transport of rejected Merchandize including, but not limited to, any damages incurred by Run Energy in any way related to the Merchandize.

3.3 Inspection by Run Energy or by any representative of Run Energy shall not negate or vary the terms and conditions in this Purchase Order or evidence acceptance of the Merchandize by Run Energy or otherwise relieve Supplier of any of its obligations under this Purchase Order.

**4.0 Program & Progress**

If requested in the Purchase Order, Supplier shall timely submit program and progress schedules to Run Energy in the form and frequency specified. Supplier shall permit Run Energy's representatives access to Supplier's premises at reasonable times to check progress.

**5.0 Variation**

5.1 Run Energy may amend the specifications, or the method of manufacture, of the Merchandize by written notice to Supplier, specifying the manner in which the specifications or the method of manufacture of the Merchandize shall be varied. Supplier shall manufacture the Merchandize in accordance with any such notice provided that:

- (a) delivery of the Merchandize has not, as of the date of the notice, been made or commenced to be made;
- (b) the notice provides a reasonable time extension for delivery of the Merchandize; and
- (c) Run Energy pays a reasonable amount to compensate Supplier for the variation required by the notice.

5.2 In determining a “reasonable amount” as referred to under section 5.1 (c), Run Energy shall take into account the original unit price of the Merchandize and any increases in the cost of labor and materials between the date of this Purchase Order and the date of the notice.

**6.0 Assignment**

This Purchase Order shall not be assigned or sublet by Supplier except with the prior written consent of Run Energy.

**7.0 Conditions and Warranties**

7.1 Supplier warrants, as a material condition of this Purchase Order, that:

- (a) Supplier has title to and the unencumbered right to sell the Merchandize to Run Energy;
- (b) the Merchandize comports in all respects to the description of the Merchandize in this Purchase Order;
- (c) the Merchandize is fit for the purpose for which it is intended; and
- (d) the Merchandize is of merchantable quality.

7.2 Supplier warrants that the Merchandize is free from defects in workmanship and material. This warranty shall commence when Run Energy obtains first beneficial use of the Merchandize and shall continue for a period of twelve (12) months from such use or eighteen (18) months from the date Supplier gives notice of delivery in accordance with section 12.1, whichever occurs first.

**8.0 Compliance with Laws**

Supplier shall strictly comply with all laws applicable to the manufacture and/or supply of the Merchandize and, upon request by Run Energy, Supplier shall furnish evidence of such compliance as Run Energy may reasonably require.

**9.0 Taxes and Other Charges**

9.1 Any taxes or other charges imposed on or with respect to the manufacture and delivery of the Merchandize shall be the sole responsibility of Supplier unless otherwise specifically provided in this Purchase Order. Sales tax charges, however, shall be the sole responsibility of Run Energy. Any charge for the same shall be itemized in invoices submitted by Supplier to Run Energy for payment of these charges.

9.2 Supplier agrees that any cost difference due to a variation in monetary exchange rates with respect to the Merchandize shall be borne by Supplier unless otherwise specifically stated in this Purchase Order.

**10.0 Intellectual Property Rights**

10.1 Supplier warrants, as a material condition of this Purchase Order, that the sale or use of the Merchandize does not infringe upon any patent, trade mark, copyright or other intellectual property right and Supplier hereby agrees to save, indemnify and hold Run Energy harmless from and against any action, suit, claim or demand asserted against Run Energy arising out of any such infringement, whether such action, suit, claim or demand is asserted by persons or entities claiming such a right or by any person or entity asserting a claim concerning or relating to the Merchandize against Run Energy for same.

10.2 If the Merchandize is manufactured to the specifications of Run Energy, any intellectual property rights arising from such manufacture or in any way related to the Merchandize shall be owned solely by Run Energy.

**11.0 Secrecy**

11.1 All plans, drawings, specifications, documents or other tangible items supplied by Run Energy to Supplier in connection with the Merchandize shall remain the sole property of Run Energy and any information derived from them or otherwise communicated to Supplier shall be treated by Supplier as secret and confidential and shall not, without the prior written consent of Run Energy, be published or disclosed to any third party or used in any manner by Supplier, except in connection with this Purchase Order.

11.2 Supplier shall not disclose any information relating to Run Energy's use of the Merchandize to any person or entity for any purpose without the prior written consent of Run Energy.

**12.0 Delivery**

12.1 Delivery of the Merchandize shall be made within the time stipulated in this Purchase Order. Time is of the essence regarding Supplier's performance under this Purchase Order, including delivery. Supplier shall provide forty-eight (48) hours written notice prior to delivery.

12.2 Supplier shall timely complete the manufacture and delivery of the Merchandize pursuant to this Purchase Order. If Supplier fails to achieve any of the key dates for commencement and completion of any part of the manufacture or delivery (such key dates being set forth in this Purchase Order) such failure shall be conclusive evidence of Supplier's default under the terms of this Purchase Order.

12.3 If Supplier fails to make timely delivery or fails to proceed to complete with reasonable speed, Run Energy shall be entitled to terminate this Purchase Order, or such parts of it affected by the delay, and Supplier hereby waives any claim for damages against Run Energy a result of such termination.

12.4 Partial delivery of the Merchandize will not be accepted without Run Energy's prior written agreement.

12.5 All deliveries shall be accompanied by the Manuals (if applicable) and a packing list detailing the purchase order number, item number and tag number. One copy of the packing list shall be included with the Merchandize and an additional copy shall be hand-delivered to Run Energy or its representative on or before delivery.

12.6 All items and subparts to items shall be clearly tagged and numbered.

12.7 Each package or crate shall be clearly identified with Supplier's name, Run Energy's name, purchase order number, and catalogue number, if any.

**13.0 Inspection and Acceptance of Merchandize**

The Merchandize covered by this Purchase Order shall be subject to inspection and acceptance or rejection by Run Energy after delivery, not withstanding prior payment, it being understood and agreed that payment shall not constitute acceptance. Acceptance shall not occur until Run Energy is satisfied that the Merchandize complies with all requirements of this Purchase Order. Ownership and title to the Merchandize shall pass to Run Energy on delivery of the same to the point of delivery specified in this Purchase Order and written acceptance by Run Energy. Supplier warrants that the cost of delivery and insurance of the Merchandize for delivery has been included in the unit price and Supplier shall be solely liable for those delivery and insurance costs.

**14.0 Terms of Payment**

Unless otherwise specified in this Purchase Order, after delivery of the Merchandize and the Manuals and upon receipt of Supplier's written remittance to Run Energy for the same, Run Energy shall make payment within thirty (30) days from the end of the month in which the Merchandize is supplied to Run Energy.

**15.0 Notices**

All notices, requests, demands or other communications required or permitted under this Purchase Order shall be in writing and will be deemed sufficiently given if hand delivered with receipt acknowledged, mailed by certified or registered mail, postage prepaid, return receipt requested, sent by any expedited delivery service which provides proof of service or transmitted by facsimile, such facsimile accompanied by a transmission report and followed by the delivery of a hard copy of such notice. The parties agree that their respective contact information, including addresses and fax numbers as shown on the cover page of this Purchase Order, is the contact information to be used for any notices to be provided under this Purchase Order, unless either party notifies the other in writing of revised contact information.

**16.0 Governing Law/Venue/Arbitration**

Any dispute arising out of or in any way related to this Purchase Order and/or the Merchandize shall be governed by the laws of the State of Texas, USA. Any such dispute shall be resolved by binding arbitration, by a one-member arbitration panel, as administered by the American Arbitration Association. Venue for such arbitration shall be Harris County, Texas. All arbitrations commenced pursuant to this Purchase Order shall be concluded within six (6) months from the date of the initial written demand for arbitration. All costs shall be shared equally, except for any attorney's fees which shall be borne by the party incurring the same, subject to any arbitrator's award.