

K.P.M. KPM PURCHASING TERMS & CONDITIONS

This document defines KPM standard Terms and Conditions of purchases. They are applicable to purchases made by KPM from its Vendors, Suppliers and Service Contractors. These Terms and Conditions shall not be superseded by Seller's Terms and Conditions.

Requirements defined in Sections 1 are applicable to all Purchase Orders. Requirements defined in Section 2 are applicable to items Manufactured or classified as Finished Goods.

SECTION 1: CONTRACTUAL TERMS AND CONDITIONS (APPLIES TO ALL PURCHASE ORDERS):

- 1. APPLICABILITY.** These terms and conditions of purchase are applicable to purchases made by Kings Peak Manufacturing from its vendors and/or suppliers (hereinafter "Seller").
- 2. ACCEPTANCE AND ACKNOWLEDGEMENT.** Any performance on a Purchase Order, Service Order, or Repair Order (hereinafter "P.O.") is deemed an acceptance, without exception, of the terms and conditions set forth on the face of the P.O. and in these terms and conditions of purchase. Confirmation of P.O. is required by Seller on each P.O.
- 3. CHANGES.** KPM may at any time make changes within the general scope of the P.O. and Seller shall comply therewith. Except as expressly provided for elsewhere, KPM and Seller agree that there shall be no adjustment in unit price or delivery schedule without a written change order to the P.O. If price changes are needed, Seller must contact KPM for verification, approval and update of the P.O.
- 4. INVOICES.** Seller will send a separate invoice and shipping notice for each shipment. Each invoice must show the KPM P.O. number, part number(s), line number(s), unit price(s), and quantities shipped. Delays in receiving invoice, errors or omissions on invoice, or lack of supporting documentation required by the terms of the order will be cause for withholding settlement without losing discount privilege.
- 5. PACKING CHARGES.** No charges shall be allowed for boxing, crating, packaging, or any other handling unless such provisions are agreed to in writing.
- 6. RECEIVING INSPECTION.** All goods will be received by KPM subject to inspection, test, and rejection. If goods received are in non-conformance to specifications, drawings, or P.O., at KPM's discretion goods may be (1) returned at Seller's expense and all shipment charges paid by KPM will be refunded by Seller, (2) corrected, or (3) replaced at Seller's expense, including transportation both ways. This clause shall not affect any of the rights or liabilities of the parties under the WARRANTY clause. The aforesaid in no way relieves the Seller of its responsibility to inspect and verify that goods in every way meet P.O., print, and specification requirements.
- 7. WARRANTY.** Seller warrants that all goods delivered under the P.O. will be merchantable, free from defect in materials and workmanship, and will conform to applicable specifications and drawings. If Seller is responsible for design, Seller warrants that all goods delivered under the P.O. will be free from defective design and will be fit and sufficient for all purposes for which it is designed. KPM's approval of designs furnished by Seller shall not relieve Seller of obligations under this warranty. Seller's warranties shall pass on to KPM and its customers and are valid for a period of two (2) years from the date of delivery. Without prejudice to any other remedy that KPM may have, Seller shall be responsible for, and bear the expense of, any necessary correction due to faulty workmanship or materials, or due to faulty design unless such design was supplied by KPM. Seller further warrants that all aircraft materials and/or components shall be furnished in compliance with all applicable Federal Aviation regulations. All inspection records will be made available to KPM upon request. Seller further warrants that all goods supplied or services performed shall be in accordance with all applicable federal, state, and local laws including environmental protection and occupational safety and health.
- 8. DELIVERY.** Shipments shall be made as specified and in accordance with the delivery schedule of the P.O, unless otherwise agreed to in writing. All orders must be shipped per P.O. specifications. If shipping UPS or FedEx, Seller will ship product on KPM's account number. If the Seller fails to meet the scheduled deliveries, Seller understands they will incur a 5% penalty for each additional week items are overdue. For the purposes of this agreement a week will be considered 1 to 5 business days past the agreed delivery date. In addition Seller agrees to pay the difference between the shipping method specified in the P.O. and the premium transportation rates. In the event that Seller is unable to make delivery by the date required on the P.O., KPM reserves the right to cancel or modify the P.O.
- 9. INDEMNIFICATION.** Seller shall indemnify and hold harmless KPM against any and all claims for U.S. or foreign patent, copyright, trademark, or other proprietary rights infringement. Seller shall defend at Seller's expense any and all infringement suits or actions of law or in equity brought against KPM and shall satisfy all judgments entered therein.
- 10. TAXES.** Seller agrees to pay any taxes imposed by law on account of the goods purchased hereunder.
- 11. NON-DISCRIMINATION & FAIR LABOR STANDARDS ACT.** Seller hereby certifies that all goods sold hereunder which are produced or manufactured in the United States are produced in compliance with all applicable requirements, orders and regulations of the United States Federal Government pertaining to nondiscrimination in employment and facilities including, but without limitation to, the provisions contained in paragraphs one through seven of Part II, Nondiscrimination in Employment by Government Contractors and Subcontractors, of Executive Order 11246 (as amended by Executive Order 11375), Certification of Non-segregated Facilities (41 CFR Chap.1, Section 1-12.803-10), the Equal Opportunity and Affirmative Action clauses as required by 41 CFR 60-1.4 (f) (7), 60-250.4(m) and 60-741.4(f), and the Fair Labor Standards Act of 1938 as amended (29 U.S. Code 201-219), all of which provisions are incorporated herein by reference and expressly made a part hereof. Seller also certifies full compliance with all state and local laws and orders relating to nondiscrimination in employment and facilities that are applicable to Seller.

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12. RIGHTS AND RESERVATION. Rights to all drawings, designs, information, tools, and other items supplied by KPM are reserved and the same shall not be used or reproduced for any purpose whatsoever except for the performance of work under the P.O.

13. DEFAULT. (a) KPM may, subject to provisions of paragraph (c) below, cancel in whole, or in part, the P.O. under any one of the following circumstances: (i) if Seller fails to make delivery of the goods or perform the services within the time specified herein or any agreed upon extension thereof; or (ii) if Seller fails to perform any of the other provisions of the P.O., or fails to make progress so as to endanger performance of the P.O. in accordance with its terms; (iii) if in either of these two circumstances, failure to cure within a period of ten (10) days (or such longer period as KPM may authorize in writing) after receipt of notice from KPM specifying such failure, as indicated in (i) or (ii) above. (b) In the event KPM cancels the P.O. in whole or part provided in paragraph (a) of this clause, KPM may procure upon such terms and in such a manner as KPM may deem appropriate, goods or services similar to those so canceled, and Seller shall be liable to KPM for any extra costs for such similar goods or services provided that Seller shall continue performance of the P.O. to the extent not canceled under the provisions of this clause. (c) Except with respect to defaults of subcontractors, Seller shall not be liable for any excess costs if the failure to perform the P.O. arises from causes beyond the control and without the fault or negligence of the Seller. Such causes may include, but are not restricted to, acts of God or the public enemy, acts of KPM, acts of Government in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather, but in every case the failure to perform must be beyond the control and without the fault or negligence of Seller. If the failure to perform is caused by the default of a subcontractor and if such default arises out of causes beyond the control of both Seller and subcontractor, and without the fault or negligence of either of them, Seller shall not be liable for any excess costs for failure to perform unless the goods or services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit Seller to meet the required delivery schedule. (d) If the P.O. is canceled as provided in paragraph (a) of this clause, KPM, in addition to any other rights provided in this clause, may require Seller to transfer title and deliver to KPM, in the manner and to the extent directed by KPM, (i) any completed goods, and (ii) such partially completed goods and material, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (hereinafter "manufacturing materials") as Seller has specifically produced or specifically acquired for the performance of such part of the P.O. as has been canceled, and Seller shall upon direction of KPM, protect and preserve property in possession of Seller in which KPM has an interest. Payment for completed goods delivered to and accepted by KPM shall be at the P.O. price. Payment for manufacturing materials delivered to and accepted by KPM and for protection and preservation of property shall be in an amount agreed upon by Seller and KPM. (e) If, after notice of cancellation of the P.O. under the provisions of this clause, it is determined for any reason that the Seller was not in default under the provisions of this clause, the rights and obligations of the parties shall be the same as if the notice of cancellation had not been issued. (f) The rights and remedies of KPM provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under the P.O. (g) The performance of work under the P.O. may be terminated in whole, or from time to time in part, by KPM, for its convenience.

14. VENUE SELECTION/CHOICE OF LAW. This agreement shall be deemed to have been made in the State of Utah, U.S.A. and shall be interpreted in accordance with the law of the State of Utah without regard to conflict of law principles. Seller consents to the exclusive jurisdiction of the state and federal courts of the state of Utah, U.S.A., for determination of any claim or controversy between the parties and arising out of or relating to these terms and conditions of purchase. In the event that KPM shall engage an attorney or commence an action against Seller arising out of facts and circumstances related to these terms and conditions of purchase including, but not limited to, Seller's breach of any of its obligations hereunder, KPM shall be entitled to recover its reasonable attorney's fees, costs, and other disbursements incurred in connection therewith.

15. SUPPLIER QUALITY SYSTEM AND PERFORMANCE. As a minimum, Seller shall maintain a quality system compliant with ISO9001 or AS9100 latest revision, including awareness at all levels of the organization, of their contribution to product conformity, safety and ethical behavior requirements. The Seller shall notify KPM (Buyer) in the event of any of the following: a) Loss or denial of Quality System certification; b) Change in location of Seller facility; c) Change in Seller business ownership; or d) Change in Seller senior management. Seller shall provide KPM copies of current ISO and AS certifications. Any exceptions to this must be approved by the KPM Quality Department. KPM utilizes the supplier scorecard to communicate and evaluate supplier performance.

16. INSPECTION. For the item(s) ordered, the Seller shall maintain a documented inspection plan. Inspection shall meet the requirements as indicated on the KPM drawing, specifications and P.O. KPM delegates inspection authority for assemblies, sub-assemblies, features and processes that cannot be verified by KPM. Documentation and Certification is to be provided from the Seller.

17. REPORTING OF DEFECTS. Seller shall notify KPM in all cases where it is discovered that product shipped to KPM is subsequently discovered to be non-conforming to specification.

18. RIGHT OF ACCESS. Seller shall allow KPM to make any inspection or test necessary to determine compliance with the requirements set out and any regulatory agency working with them. The Seller shall flow-down this Right of Access requirement to all sub-tier suppliers, processors and providers that are involved in the production and testing of the articles.

19. DELEGATED AUTHORITY. The Seller does not have authority from KPM to accept any item that does not fully conform to KPM specification, or that is suspected to be defective. KPM retains all Material Review Board (MRB) authority for the items ordered from the Seller, including any materials or processes subcontracted by the Seller to produce the items.

20. AGE CONTROLLED MATERIALS. Materials and items that are shelf life limited shall have sufficient storage life remaining when delivered to KPM. The Seller shall provide sufficient data for KPM and its customers to manage the item life while in storage. The required shelf life and the storage management data are noted in the drawings and or specifications provided.

21. ASBESTOS FREE. No asbestos, as defined in FED-STD-313, is permitted in or on any items supplied to KPM.

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- 22. MERCURY FREE.** Items shall not contain mercury and the items shall not be in direct contact with mercury at any time.
- 23. FOREIGN OBJECT DEBRIS (FOD).** Items shall be free of any foreign object, debris, or contamination.
- 24. COUNTERFEIT PARTS / MATERIAL.** Suppliers shall establish and maintain a Counterfeit Parts\Material Prevention and Control Plan using AS6174 (Reference elements of Section 3) to ensure that counterfeit goods are not delivered to KPM.
- 25. CERTIFICATE OF CONFORMANCE.** The Seller shall submit with each shipment a certificate of conformance stating that the items are in compliance with the KPM requirements including the P.O. and as applicable, any drawing or specification. The certificate shall:
- a) Include the following data items: KPM P.O. number, part number, revision level, quantity, lot/batch number, serial number (where applicable) and cure date/lube date (where applicable)
 - b) Be authorized by a Seller's representative, as indicated by signature and title
 - c) Be clearly legible
 - d) Provide full trace to the manufacturer by providing a certificate of conformance from the manufacture and certificate(s) from intervening distributor(s).
- 26. RECORD RETENTION.** The Seller shall retain quality and certification records for a minimum of 7 years, after which KPM shall be given the option to retain documents at KPM's facility. Records shall be made available to KPM within 24 hours of request.
- 27. ALTERNATE PARTS / PART SUBSTITUTION.** Alternate items or substitute items are not permitted unless specifically allowed in the P.O. or amended P.O.
- 28. ALTERED ITEMS.** MS and NAS standard hardware items that have been altered and re-identified with another identification shall be certified (C of C) as originally conforming to the MS or NAS standard specification (before alteration).
- 29. LOT INTEGRITY.** Items shall be segregated into lots and each lot shall be clearly identified. The Seller shall package each lot to ensure that no mixing of lots occur at any time during shipping.
- 30. PACKAGING.** Items shall be packaged and preserved to protect from damage during shipment and storage. Item packaging shall comply with the best industry practices, and the requirements on the P.O. KPM uses specific packaging and crating, all parts must be returned in the packaging they were received in, if packaging is damaged please take Photos and call KPM before proceeding, reference ASTM D3951 "Standard Practice for Commercial Packaging".
- 31. PACKAGE MARKING.** Unless otherwise specified, each lot shall be marked with the KPM PO number, item part number, and the lot quantity.
- 32. SHIPMENT.** Seller is required to notify buyer at the time of shipment with tracking number. Otherwise KPM is free and clear of any disputes that may result in connection thereof. The goods must be insured by Seller through delivery to KPM's location.
- 33. Federal Acquisition Regulation (FAR)/Defense Federal Acquisition Regulation Supplement (DFAR) CLAUSES.** Seller should comply with the following FAR/ DFARS clauses; 52.203-3, 52.203-6, 52.203-7, 52.203-10, 52.203-12, 52.203-13, 52.203-14, 52.203-16, 52.203-17, 52.204-2, 52.204-9, 52.204-10, 52.209-6, 52.211-5, 52.211-15, 52.215-2, 52.215-10, 52.215-11, 52.215-12, 52.215-13, 52.215-14, 52.215-15, 52.215-16, 52.215-17, 52.215-18, 52.215-19, 52.215-21, 52.215-23, 52.216-16, 52.216-17, 52.219-8, 52.219-9, 52.222-1, 52.222-4, 52.222-20, 52.222-21, 52.222-26, 52.222-35, 52.222-36, 52.222-37, 52.222-40, 52.222-50, 52.222-54, 52.223-3, 52.223-7, 52.223-11, 52.223-18, 52.224-2, 52.225-1, 52.225-8, 52.225-13, 52.226-1, 52.227-1, 52.227-2, 52.227-9, 52.227-10, 52.227-11, 52.227-14, 52.228-5, 52.232-17, 52.234-1, 52.236-13, 52.237-2, 52.242-13, 52.242-15, 52.244-5, 52.244-6, 52.245-1, 52.246-2, 52.246-4, 52.247-63, 52.247-64, 52.248-1, 52.249-8, 52.249-2, 252.203-7001, 252.203-7004, 252.204-7012, 252.208.7000, 252.209.7004, 252.211-7000, 252.215-7000, 252.219-7003, 252.223-7001, 252.223-7002, 252.223-7003, 252.223-7007, 252.223-7008, 252.225-7001, 252.225-7002, 252.225-7006, 252.225-7007, 252.225-7009, 252.225-7012, 252.225-7013, 252.225-7014, 252.225-7015, 252.225-7016, 252.225-7021, 252.225-7025, 252.225-7028, 252.225-7030, 252.225-7033, 252.225-7036, 252.225-7040, 252.225-7043, 252.225-7048, 252.226-7001, 252.227-7013, 252.227-7014, 252.227-7015, 252.227-7016, 252.227-7019, 252.227-7025, 252.227-7026, 252.227-7027, 252.227-7030, 252.227-7037, 252.227-7038, 252.227-7039, 252.228-7001, 252.228-7005, 252.231-7000, 252.235-7003, 252.239-7000, 252.239-7016, 252.243-7001, 252.244-7000, 252.246-7001, 252.246-7003, 252.246-7007, 252.247-7023, 252.247-7024, 252.249-7002
- 34. International Traffic Arms Regulation (ITAR)/U.S. EXPORT CONTROLLED REQUIREMENTS.** When documents are provided containing technical data within the definition of the International Traffic In Arms Regulations ("ITAR"), or the definition technology within the Export Administration Regulations ("EAR"), the transfer of the data by any means to a foreign person, whether in the United States or abroad, without an export license or other approval from the Directorate of Defense Trade Controls ("DDTC") or the Bureau of Industry and Security ("BIS") is prohibited.

SECTION 2: MANUFACTURING AND FINISHED GOODS SELERS

- 1. FLOW-DOWN OF KPM REQUIREMENTS.** Applicable KPM Seller requirements shall be flowed down to sub-tier suppliers and processors. KPM or Seller requirements are as stated on the KPM P.O., drawing, and/or specification. Seller requirements include, but are not limited to:
- a) Special requirements for key and critical characteristics,
 - b) Special process controls -Inspection requirements,
 - c) Certification requirements

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d) Right of access

2. SPECIAL PROCESSES. Sub-tier providers of special processes shall be approved for the process required by demonstration of one or more of the following:

- a) Boeing D-14426 Approved Process Source
- b) NADCAP approval
- c) Prior KPM approval (may require on-site audit)

*If any doubt exists as to validity, or acceptability of approvals, contact KPM.

"Special processes" include the following:

- a) Chemical Processing (anodizing, plating, passivation)
- b) Coatings (including painting, priming)
- c) Heat Treating
- d) Materials Testing
- e) N.D.T.
- f) Surface Enhancement (peening)
- g) Welding & Brazing
- h) Non-conventional machining (EDM etc.)

*Any processing or procedures that require employees to be trained and/or certified, needs to be noted on the Certs.

3. REVISION LEVEL. Items shall be produced to the revision level as stated on the P.O. In the event that the Seller is notified of a drawing revision before the items are shipped, the KPM buyer will contact Seller to discuss any changes in requirement.

4. MARKING. Parts shall be marked according to the requirements on the KPM drawing, or P.O.

5. FIRST ARTICLE INSPECTION REPORT. Seller shall provide a First Article Inspection Report on each item's first run for KPM. Future P.O's do not require First Article Inspection Reports, but are recommended. Charges for FAIR's shall be approved by KPM's buyer.

6. SCRAP RATE. If KPM is providing material to the Seller for Machining or Finished Goods, acceptable scrap rate is up to 2% of the total quantity ordered. Any parts scrapped above the 2% scrap rate, Seller is susceptible to reimburse KPM of the raw material plus any labor and other costs that KPM has occurred.

Acknowledged by

Date

Company