

# PURCHASE ORDER QUALITY CLAUSES KMI, Inc

1. **ACCEPTANCE.** This order, inclusive of the terms on the face hereof, is the exclusive agreement between the parties, subject to the terms and conditions herein and including any documents incorporated herein by reference. Seller's acceptance of this order shall be deemed to occur either through commencement of performance under this order or acknowledgment of this order. Additional or different terms contained in Seller's acknowledgment or any other documentation of Seller shall be void and of no effect unless accepted in writing by Buyer. No change in, modification of or revisions of this order shall be valid unless in writing signed by Buyer. Notwithstanding the forgoing, terms on the face of this order shall prevail over any conflicting terms herein. None of any past practice, industry standards, course of dealing or usage of trade shall constitute a modification of any term or condition contained herein, nor shall same add any term not contained herein. **SELLER MAY NOT CHANGE MATERIAL OF MANUFACTURE, SOURCES OF SUPPLY, MANUFACTURING PROCESS OR MANUFACTURING LOCATION WITHOUT THE PRIOR WRITTEN CONSENT OF BUYER.** Except as otherwise disclosed to Buyer, Seller represents that there exists no claims, actions, litigations, or other such matters involving the Seller that in any way would affect its ability to perform the obligations under this order.

2. **ITAR § 122.1 Registration requirements** - (a) Any person who engages in the United States in the business of either manufacturing or exporting defense articles or furnishing defense services is required to register with the Office of Defense Trade Controls. Manufacturers who do not engage in exporting must nevertheless register. (b) *Exemptions.* Registration is not required for: (1) Officers and employees of the United States Government acting in an official capacity. (2) Persons whose pertinent business activity is confined to the production of unclassified technical data only. (3) Persons all of whose manufacturing and export activities are licensed under the Atomic Energy Act of 1954, as amended. (4) Persons who engage only in the fabrication of articles for experimental or scientific purpose, including research and development. (c) *Purpose.* Registration is primarily a means to provide the U.S. Government with necessary information on who is involved in certain manufacturing and exporting activities. Registration does not confer any export rights or privileges. It is generally a precondition to the issuance of any license or other approval under this subchapter.

3. **DFARS Requirement 252.225-7014 Preference for Domestic Specialty Metals** - As prescribed in 225.7002-3(b)(1), use the following clause: **PREFERENCE FOR DOMESTIC SPECIALTY METALS (JUN 2005)** (a) *Definitions.* As used in this clause—(1) “Qualifying country” means any country listed in subsection 225.872-1 of the Defense Federal Acquisition Regulation Supplement. (2) “Specialty metals” means—(i) Steel—(A) With a maximum alloy content exceeding one or more of the following limits: manganese, 1.65 percent; silicon, 0.60 percent; or copper, 0.60 percent; or (B) Containing more than 0.25 percent of any of the following elements: aluminum, chromium, cobalt, columbium, molybdenum, nickel, titanium, tungsten, or vanadium; (ii) Metal alloys consisting of nickel, iron-nickel, and cobalt base alloys containing a total of other alloying metals (except iron) in excess of 10 percent; (iii) Titanium and titanium alloys; or (iv) Zirconium and zirconium base alloys. (b) Any specialty metals incorporated in articles delivered under this contract shall be melted in the United States or its outlying areas. (c) This clause does not apply to specialty metals—(1) Melted in a qualifying country or incorporated in an article manufactured in a qualifying country; or (2) Purchased by a subcontractor at any tier. (End of clause) **ALTERNATE I (APR 2003)** As prescribed in 225.7002-3(b)(2), substitute the following paragraph (c) for paragraph (c) of the basic clause, and add the following paragraph (d) to the basic clause: (c) This clause does not apply to specialty metals melted in a qualifying country or incorporated in an article manufactured in a qualifying country. (d) The Contractor shall insert the substance of this clause, including this paragraph (d), in all subcontracts for items containing specialty metals.

4. **Quality Standards Requirements Flowdown** – Subcontractors are encouraged to have a quality system which meets one of the following requirements as applicable: AS9100, D6/82479 Addendum 1, ISO 9001 or a subcontractor evaluation form (KMI-17) must be on file at KMI, Inc prior to acceptance of product. KMI, Inc reserves the right to approve subcontractors based on requirements and resources.

5. **Quality Records** – Quality records must be maintained on file for a minimum of ten (10) years (unless otherwise specified) and readily retrievable upon request.

**6a. Material Suppliers** – Material supplied against this contract must be purchased from approved sources of the end item users (KMI, Inc’s customer). Supplier must be compliant with the “Conflict Free Smelter (CFS)” program in accordance with the Dodd. Frank Act 2010. THE PART SHALL NOT BE ROTATED WITHIN THE STOCK SIZE SUCH THAT THE LONG TRANSVERSE DIRECTION REPLACES THE LONG DIRECTION FOR BAR, ROD AND EXTRUDED FORMS, AND SUCH THAT THE SHORT TRANSVERSE DIRECTION REPLACES THE LONG OR LONG TRANSVERSE DIRECTION FOR PLATE FORMS.

**6b. Hardware Suppliers**-Hardware must meet the requirements of AS6174 Assuring Acquisition of Authentic and Conforming Material.

**7. Materials Receiving Inspection** – Seller certifies that he has performed receiving inspection on purchased materials to ensure compliance with all drawings and specifications, and has test reports and/or raw material certifications on file available for review upon request.

**8. Revisions** – The product being manufactured and / or service being performed must be completed per the applicable revision as noted on the drawings or purchase order / packing list. At no time will other revisions be used without the express, written permission of an authorized representative of KMI, Inc Processing specifications shall be performed to the latest revision.

**9. Approved Processing Sources** – Subcontractors shall use only end items customer approved processing source.

**10. Manufacturing Routings** – Seller certifies that shop travelers/manufacturing work orders will reflect and indicate work requirements, including non-destructive inspection, as evidence by the supplier’s quality assurance signature or acceptance stamp, and are on file available for review upon request.

**11. Control of Non-Conforming Product** – Non-conforming product produced from KMI, Inc supplied material will be segregated, tagged and returned to KMI, Inc along with completed (Subcontractors) internal non-conformance report. Documented cause and corrective action is required.

**12. Handling, Packaging, Preservation and Delivery** – The subcontractor shall use appropriate methods of handling, packaging and preservation to prevent damage of product in process and during delivery.

**13. Evidence of Inspection** – A qualified representative of the suppliers quality department shall sign and document acceptance status for each shipment as evidence of final inspection.

**14. First Article Requirements** – A completed First Article Inspection Form per AS9102 shall be provided with the first shipment as evidence of 100% inspection of one of each part from the first shipment. Suppliers with contracts that have been novated or assigned to KMI, Inc by their customer shall provide a copy of the first article report matching the current configuration.

**15. Product Certification** – Seller shall certify that all parts which are supplied, conform to purchase order requirements, applicable specifications, finishes, dimensions, etc. and records are on file subject to examination by KMI, Inc.

**16. Certificate of Compliance (C of C)** – A certificate of compliance shall accompany all shipments. The certificate of compliance must be signed by an authorized representative and reflect all information necessary to identify the product, quantity, current revisions, and whatever services or processes you have performed. All documents must be 100% legible.

**17. Test Reports** – The original mill or foundry chemical and mechanical test reports for material used in fulfilling this order must be maintained for a period of ten (10) years. The heat lot number of each test report must be traceable to the material. Any reprocessed raw material must be traceable to the original mill test report and must include objective evidence of compliance (e.g., mechanical tests) to the materials reprocessed condition. Copies of the test reports must be submitted with each shipment. When KMI, Inc

provides material, the supplier must ensure that a statement is included on the shipment certification and/or shipper identifying “KMI, Inc Supplied Material”. All documents must be 100% legible.

**18. Traceability / Lot Shipment Requirements** – Lots may not be commingled. Shipments may consist of no more than two (2) manufacturers lots for each part number included in an order. No quantity of a single manufacturers lot may consist of less than 20 percent of the total quantity per shipment unless otherwise specified on the purchase order.

- A casting, forging , machined part or stamping lot consists of the same part number, of one alloy, produced using the same processing parameters (including heat treat) and contains a homogeneous heat pour, or same basic material.
- A production lot shall consist of parts that are all the same configuration fabricated under same conditions, from the same material type, processed (including heat treat) together and produced as one continuous run.
- A plating lot (cadmium, anodize, chemical milling, etc.) shall consist of treated articles on the same order, treated under the same conditions, from the same chemical composition, from the same tank.
- A coating lot (paint, dry film lube, etc.) shall be processed as one batch, on the same part, on the same order. A batch is defined as the end product of all of the raw materials mixed or blended in a single or continuous operation.

**19. Product Verification** – Verification by KMI, Inc shall not absolve the Seller of the responsibility to provide acceptable product, nor shall it preclude subsequent rejections by KMI, Inc

**20. Shelf Life** – When services from the supplier include using materials with a limited shelf life, the supplier shall include the expiration date of the materials used and batch identification on the required certifications.

**21. Control of KMI, Inc Property** - Seller shall ensure control of KMI, Inc property, which includes storage, safeguard and recovery, which includes, but is not limited to Tooling, Mylar, NC Programs, Drawings and KMI, Inc Aids.

#### **Special Purchase Order Quality Clauses**

The following Quality Clauses apply if specifically referred to in the notes of the Purchase Order.

**22. Source Inspection** – If specified on the purchase order, KMI, Inc source inspection is required prior to shipment from your facility. Upon request, seller shall provide personnel and equipment to assist buyer’s representative during inspection of items. On site product acceptance by KMI, Inc and/or customer personnel does not absolve the seller of the responsibility to provide acceptable product, nor shall it preclude subsequent rejections by the KMI, Inc

**23. Key Characteristics** – Seller shall inspect all key characteristics referenced on purchase order or print.

**24. Configuration Control** – Seller shall ensure configuration control and conform to the requirements of D6-51991 when using digital datasets.

**25. Calibration Requirements** – Seller must ensure all inspection equipment is traceable to N. I. S. T. & meets or exceeds manufacturer’s specification. Certification required

**26. Counterfeit Parts Program** - Supplier is requested to protect KMI from counterfeit parts.

**27. Personnel Competency** - KMI may specify specific qualification for personnel performing work related to the details of the Purchase Order provided. The supplier should be ready to provide evidence to KMI if requested.

**28. Personnel Communication** - Supplier is requested to communicate with their personnel regarding the following:

- Their contribution to product or service conformity to requirements
- Their contribution to product safety
- The importance of ethical behavior