



PURCHASE TERMS AND CONDITIONS

1. **ACCEPTANCE:** These Purchase Terms and Conditions (the "Terms") are deemed reproduced on any Order issued by Dacomsa, S.A. de C.V., Pistones Moresa S.A de C.V., Fricción y Tecnología S.A de C.V y TF Víctor S.A de C.V. and shall be expressly accepted by the Seller when starting any provision of services (the "Services") or supply of products (the "Products"), and will involve the unconditional acceptance of the Seller of these Terms. The term "Order" means the purchase order, which is subject and governed by these Terms and is an agreement whereby the Buyer agrees to purchase and receive, and the Seller to sell and deliver the Products or Services mentioned in the Order. The term "Seller" means the person or entity that supplies Products or provides the Services. The term "Buyer" means Dacomsa, S.A. de C.V., Pistones Moresa S.A de C.V., Fricción y Tecnología S.A de C.V y TF Víctor S.A de C.V. a corporation legally organized and existing under the laws of Mexico, who receive Services or Products under these Terms. The parties agree that, in order to save time, such as for authorization of materials and products, changes in delivery dates, payment terms, shipping instructions, packaging and labeling, and similar matters, the Order may be amended by the Buyer through a change order to the Seller via email, signed by an authorized representative of the Buyer. The parties agree that such communications, as well as deliveries to be made in terms of these, will be part of the Order and shall be regulated by these Terms.

2. **PRICE:** The price of the Products delivered or of the Services provided pursuant to these Terms, shall be indicated in the Order, it expressed in local currency, unless otherwise noted (the "Price"). In case that the price is expressed in other currencies, such price may be paid for the equivalent in national currency at the exchange rate to settle liabilities in foreign currency issued by the Central Bank of México in the Official Gazette for the day when the payment is made. The price is fixed and cannot be increased for any reason, including, without limitation, in cases involving increases and problems with raw material or in cases of force majeure. The price is based on the cost of raw materials current at the time of filing the Order. The price includes all costs that may be incurred by the Seller (including labeling, packaging, taxes, official tariffs, loading and unloading maneuvers, insurance and freight (unless otherwise stated in the Order). If the price is omitted in the Order, the price will be the

current lowest in the market, and in no event may exceed the prices paid for similar products or services, when compared with previous orders executed by the parties. The Seller hereby guarantees that the price is the lowest price that the Seller offers to all its customers for similar Products and/or Services, and that the price is competitive with the prices of other sellers of similar products and services (the "Price Guarantee"). The Buyer may terminate the Order in whole or in part without incurring in any liability in the event that the Seller fails the Price Guarantee by written notice three (3) calendar days in advance, and will not be obliged to pay any amount in excess of the Price Guarantee.

3. **TERMS OF PAYMENT:** Unless otherwise instructed by the Buyer in writing, the Seller shall invoice the Buyer at the time the Buyer received the Products, or when the Seller finished providing the Services. Payments will be made by deposit or electronic funds transfer to the bank account indicated in writing by the Seller. Invoices shall contain all applicable tax requirements and breakdown the items comprising, including Value Added Tax. The payment of the invoice by the Buyer shall be solely in accordance with the terms of the Order. Unless the Buyer indicates a different time period in the Order, payment shall be made within a period of sixty (60) calendar days from the date the Buyer receives the invoice that covers the Products or in the date the Seller finished the Services, at Buyer's satisfaction. If there is an unresolved dispute within that time period, payment shall be made within thirty (30) calendar days following the date on which the dispute is resolved and the corrected invoice is received. To the extent that the Seller does not invoice the Buyer for Products or Services that are acquired in terms of the Order, within one (1) year following the delivery of the Products or provision of the Services by the Seller, the Buyer shall not be obligated to pay the Seller such Products or Services. Any claim of the Seller relating to the payment of Products or Services by the Buyer in terms of the Order, shall be submitted in writing to the Buyer within the period of one (1) year following the date on which the Products are received by Buyer, or on the date the services are completed; otherwise, the Seller's right to initiate such claim will preclude.



4. **DELIVERY:** All Products shall be delivered with packaging that are necessary to prevent damage to the Products in accordance with the instructions contained in the Order, or as specified in writing by the Buyer. In the absence of such instructions, the Seller shall comply with the best commercial practices to ensure the delivery of the Products to their destination without damage and at the lower cost of transportation to the designated address for delivery. Delivery shall be made in the amounts and within the time periods specified in the Order, or as otherwise directed in writing by Buyer. The Buyer is not obliged to receive or to make payment of the delivered Products or Services provided to the Buyer in advance to the scheduled date, or if it exceeds the amounts specified in the Order, as its option, may return such Products to the Seller or reject the Services, at risk and account of the Seller. In certain cases and depending on the type of Product, the Buyer may receive Products that exceed the amounts specified in the Order, provided that the Buyer specifies in the Order the allowed limit or margin. The Buyer may change the frequency of deliveries or, indicate the temporary suspension of the scheduled deliveries, and in none of these cases the Seller shall be entitled to amend the price of the Products or Services that the Order covers. For orders of Products for which the amounts and/or delivery schedules are not specified, the Seller shall deliver the Products in such amounts and at such times as directed in writing by the Buyer. If in order to comply with the delivery date requested by the Buyer, same that is set out in the Order, the Seller is required to accelerate the execution of the Order, the Seller shall pay any additional costs associated with such acceleration.

5. **CONVENTIONAL PENALTY.** If the Seller fails to comply timely or to deliver untimely the Products or fails to provide timely the Services, the Seller shall reimburse the Buyer, all Damages (as defined in Clause 11) incurred by the Buyer as a result of the delivery or untimely fulfillment. In addition, the Buyer shall have the right to require any other rights and remedies specified in these Terms, to terminate the Order, without incurring in any liability, with respect to the Products that have not yet been delivered or to the Services that still have not been provided, by written notice, which shall take effect from the date of delivery of the notice by the Buyer.

6. **INSPECTION:** The facilities, equipment, materials, records of the Seller, and the Products and Services acquired and to be acquired pursuant to these Terms, are subject to audit, verification, inspection and acceptance by the Buyer. The parties agree that the Buyer may inspect, review, verify and audit any Products at any stage of manufacture, fabrication, delivery or completion. The Buyer shall have the right to enter to the Seller's premises in normal business hours, to inspect, review, verify and audit the facilities and materials of the Buyer that these Terms cover. The Seller agrees to provide all documentation and supporting information required by the Buyer and its customers during the course of such inspection. Upon request of the Buyer, the Seller shall submit test reports and quality production and related data. The inspection carried out by the Buyer on the Products, whether during manufacture, prior to delivery or within a reasonable time after delivery, shall not constitute acceptance of any work in process or finished products. Nothing in these Terms, shall release the Seller from the obligation to test, inspect, verify and to keep quality track. The Seller shall retain all documentation and information necessary concerning the Order for a period of 5 (five) years following the completion of the Services or delivery of the Products pursuant to these Terms.

7. **QUANTITY AND PACKAGING SPECIFICATIONS:** The Seller agrees to provide the Buyer the amount of Products or Services they request pursuant to the provisions in the Order. All finished Products shall be packaged and labeled in accordance with the requirements of the Buyer. All Products shall be marked permanently the part number and batch, weight, name or code name, including any identification with bar code, and date of manufacture of the Products, unless the Buyer agrees otherwise in writing. The Seller shall deliver samples in accordance with applicable quality standards, as required by the Buyer.

8. **CHANGES:** The Seller may not make changes to any Order, or the Products or Services, or manufacturing, testing, quality assurance, materials, design, drawings, specifications, or packaging of the Products, without prior written approval of the Buyer. Any unauthorized change of any kind is a breach of the Seller's obligations pursuant to these Terms. The Buyer may request changes at any time, by written notice to the Seller. The Seller will implement the changes, and



the Order shall be deemed modified to incorporate the changes in the understanding that if the requested changes increase or decrease the price of the Products or the delivery period required to meet with the Order, the Seller shall notify the Buyer in writing, providing detailed information about the impact on the price, within 5 (five) calendar days from the date of change request by the Buyer, and the parties shall negotiate an equitable adjustment in the price, in order to adjust such increase or cost reduction. The Seller shall not refuse to make delivery of the Products while the parties negotiate the price changes based on the changes. The Seller shall continue to implement the changes and compliance while any dispute is pending of settlement. Any changes to the agreed price or delivery schedule will be implemented pursuant to these Terms.

9. **WARRANTY:** The Seller expressly represents and warrants to the Buyer, its successors and assigns, as well as the Buyer's customers, that all Products delivered by the Seller:

(a) will comply with all specifications, designs, samples, drawings and descriptions provided or accepted expressly and in writing by the Buyer, as well as the standards and other requirements specified in Clauses 7 and 24; (b) will be new; (c) will be of good material, labor and manufacturing, as well as the highest quality; (d) be marketable, safe and conform to specific use and intended destination given by the Buyer and its customers, plus it will be free of any defects, whether hidden or obvious; (e) be free from any lien, charge, encumbrance and ownership constraints; (f) will be delivered in suitable containers and packaging to prevent damage being caused to the Products, and shall be marked and labeled correctly; and (g) shall be made in compliance with all laws, regulations, standards and applicable laws, including the provisions of the Order, as well as all the quality standards applicable to the industry, including but not limited to, Official Mexican Standards. All Services provided by the Seller shall provide competent and efficient manner and in accordance with the highest industry standards. The Seller warrants that all materials used in the manufacture of the Products shall be new and of high quality. No materials will be replaced by those specified, without prior written consent of the Buyer. The Seller also represents and warrants that the Products shall not use trademarks, distinctive signs, commercial names or any other type of element suitable of protection in the subject of

Intellectual Property that had not been expressly required in the Buyer's specifications and even in these cases, the Seller shall do it in strict compliance of Buyer's express and written instructions. These warranties are in addition to other warranties, express or implied that apply in accordance with applicable law. These warranties apply notwithstanding the inspection, testing, delivery, acceptance, use or payment by the Buyer as well as the termination, expiration or cancellation of the Order. The warranties contained in these Terms, shall not be limited or waived by the Seller. The approval by the Buyer of the design, material, process, drawings, specifications or similar concepts of the Seller shall not be construed as releasing the Seller of the assurances provided in these Terms or waiver by the Buyer, unless it is appointed in writing. As for the Services, the guarantees contained in these Terms will not expire. As for Products, the warranties are those that are specified in the packaging thereof, or, the warranties contained in these Terms shall apply for the following categories of Products and periods of time: (i) motor system: 1 (one) year; and (ii) powertrain system: 4 (four) months; except if the Buyer establishes in writing otherwise. The periods mentioned above shall be counted as of the delivery date of the Products to the Buyer and/or its clients.

10. **NONCONFORMITY OF THE PRODUCTS.** However payment or prior inspection of the Products, in addition to other remedies with which the Buyer may be entitled, the Buyer, at the Seller's option and risk, can reject and return, or retain and fix Products that do not meet the specifications provided by the Buyer which do not comply with the warranty set out in Clause 9 of these Terms. The Products that do not meet the specifications, shall be replaced within a period greater than 3 (three) business days, or, in the term pointed out by the Buyer in writing, for others who meet the agreed specifications, or be repaired or corrected by the Seller at its own expense if it possible, all of the above at the Buyer's choice. The dissenting Products shall be returned by the Buyer to the Seller at the expense and risk of the latter. If the Seller fails to provide instructions in writing within five (5) calendar days following the date of the notice of nonconformity shall entitle the Buyer, at its option, to charge the Seller for storage and handling or disposal of Products without any liability to the Buyer. The Payment for Products that do not meet the agreed specifications and warranty shall not



constitute acceptance thereof, nor limit or affect the Buyer's right to initiate any claim, process or action, or relieve the Seller of the responsibility incurred because of the dissenting Products, defects or quality problems. The Seller shall have a security inventory that allows the Buyer a fast response in case of replacement of the Products for defect or that do not meet the specifications provided by the Buyer, as well as to deal with changes in the Order by the Buyer (as greater volume or to shorten delivery date of the Products). The security inventory shall be by the volume or number of days pointed out in writing by the Buyer in each case.

11. **REMEDIES:** In addition to other remedies identified in these Terms, as well as legal remedies under applicable law, if the Seller breaches any of its obligations derived from these Terms, or delivers the Products or provides the Services with defects or complaints, or if he fails to comply with warranties provided in these Terms, regardless of whether or not apparent upon receipt of the Products, the Seller immediately, by their very account and Buyer's option shall: (i) repair or replace the defective Products or, refund the amounts paid for the defective Products; (ii) accelerate the fulfillment and late deliveries; (iii) pay all costs associated with the dissenting Products, including but not limited to, inspection costs, inventory selection to isolate the dissenting Products, replacement, repair, storage, repackaging, removal, transportation and delivery; and (iv) pay other costs, fees, fines, sanctions, penalties or damages incurred by the Buyer or its customers regarding the dissenting Products. The Seller agrees to provide immediately, at its own expense, the Services that do not meet the requirements of the Buyer or do not comply with the warranties provided in these Terms. In addition, the Seller shall be responsible for all damages caused to the Buyer or its customers arising from any breach of the obligations of his office in accordance with these Terms, including, without limitation, all damages, costs and expenses incurred by the Buyer or those damages that Buyer's customers impact or claim to the Buyer as a result of a breach of the Seller, including attorneys' fees and expenses (the "Damages"). In addition, the Buyer may cancel any Order that includes the dissenting Product or Service, or include other potentially affected Products or Services, without incurring in any liability. The parties agree that the rights and remedies of the Buyer, including but not limited to, the total costs and damages which the Buyer may

recover at the time the Buyer files a claim or a lawsuit, will not be reduced or limited in some way.

12. **CONFIDENTIAL INFORMATION:** The Seller agrees to keep all information that may get from the Buyer in absolute confidentiality and secrecy and shall not disclose it to third parties, provided that shall ensure that its personnel keep absolutely confidential such information. The term "Confidential Information" means all information or records kept of the Buyer, which is and will remain at all times owned by it, whether in print, written, oral or contained in computer programs (software), optical disks tapes, or other electronic or magnetic media, microfilm, photographs, recordings, drawings, diagrams or any other instrument, which is revealed by the Buyer in connection to these Terms. The Confidential Information shall include, not limited to, the following: business information, process and production, business strategies and operating models, application and improvement of inventions, patents, commercial ads, utility models, industrial designs, industrial drawings, "Know How" legal, financial or any other information. Confidential Information shall be treated as a trade secret in accordance with Article 82 and other relevant articles of the Law on Industrial Property. Shall not be considered Confidential Information: (i) that which, prior to the date of the Order, has been in the public domain; or (ii) one that, after the date of the Order, is public domain, without any fault or negligence of the Seller; or (iii) it has to be disclosed pursuant to an order duly valid an grounded, issued by a legitimate and competent judicial or administrative authority, provided that the Seller shall promptly inform the Buyer of this situation, to take measures it deems appropriate. As such, the Seller will use the Confidential Information only to fulfill the obligations assumed pursuant to these Terms and shall be liable for the unauthorized use of the Confidential Information, besides being responsible for payment of costs and damages incurred that the disclosure causes to the Buyer. The obligation of confidentiality herein will remain in effect during the execution of the Order and up to 5 (five) years following the date of termination or expiration of the Order. The Seller agrees to destroy or return to the Buyer all Confidential Information that he has provided, and all copies, upon request of the Buyer.

13. **INTELLECTUAL AND INDUSTRIAL PROPERTY:** The Buyer is the owner of all specifications and all Confidential Information



provided by the Buyer to Seller pursuant to these Terms, including all modifications or improvements made by the Seller to such specifications. The Seller agrees that any feedback, suggestions or comments made by the Seller to the Buyer with respect to the Products, Services, specifications or Confidential Information of the Buyer originally supplied by the latter (the "Feedback"), will be delivered entirely on voluntary basis and entitle the Buyer to use, disclose, reproduce, license, distribute or exploit the Feedback for any purpose, in whole, without assuming any payment or restriction on the use or disclosure obligation. In addition, the Seller agrees that all materials, regardless of how they are made or produced by the Seller in terms of the Order (the "Work Product") will be considered as "custom made work" according to the provisions of the Federal Copyright Act, and hereby are transferred and will become absolute property of the Buyer. If any part of the works of authorship created by the Seller for the provision of services pursuant to these Terms does not qualify as "custom made work" the Seller hereby assigns, or if the Seller has not previously guaranteed the ownership of all copyrights related to that part, will be entitled and may assign all copyrights related to this work, in favor of the Buyer. Prior request of the Buyer, the Seller shall execute all documents and reasonably assist the Buyer; to the extent it is necessary to give the Buyer the ownership of all Work Product, feedback and modifications or improvements to specifications, and to allow the Buyer for Intellectual Property on such Work Product, and any modifications or improvements to the specifications. The term "Intellectual Property Rights" means all: (a) copyrights, trademarks, layout designs and patents; (b) rights related to innovation, technical knowledge ("know-how"), trade secrets and confidential information; (c) moral rights, copyright and rights of publicity; and (d) other rights related to industrial property rights, privileged and intellectual anywhere in the world that currently exist or in the future, and all renewals and extensions of the foregoing, regardless of whether such rights are registered with relevant authorities in those jurisdictions, according to applicable law. The Seller will not sell, transfer or otherwise encumber or have any product incorporating any trademark, patentable invention, copyright work, industrial design or other concept that is subject to any Intellectual Property Rights of the Buyer, for third party other than the Buyer, except in cases where the latter has expressly authorized in writing. The Seller further agrees and acknowledges

that nothing contained in these Terms may be construed as conferring any right or license with respect to any Intellectual Property Rights and/or Confidential Information of the Buyer to the Seller. Seller's obligations set out in this Clause shall continue in force even after the termination of the Order.

14. **PRIVACY NOTICE:** Pursuant to the provisions of the Federal Law on Protection of Personal Data Held by Private Parties, Buyer informs the Seller that the data obtained under the acceptance of the Order, shall be treated as confidential through the systems provided for this purpose and will be used for the operation that covers the Order. The Seller may also restrict the use or disclosure of their data or exercise their rights of access, rectification, cancellation or opposition to him under the Act, through the application submitted in the address designated in the Order. In addition, the Seller has the right to initiate a Data Protection procedure before the Federal Institute for Access to Information and Data Protection (IFAI), within fifteen (15) calendar days from the date he receives the answer from Buyer, or from the end of the period of 20 (twenty) calendar days from the date of submission of the application. The Buyer shall notify the Seller in writing of any changes to this Privacy Notice. Any changes will be notified in writing, using electronic means, or by posting the change on the website of the Buyer. The Seller agrees to comply with the Privacy Notice of the Buyer, the same that is available on the following page: <http://kuo.com.mx>

15. **RISKS AND DAMAGES:** The Seller shall be liable for all damages that the Products suffered which the Order relates to until the time that they are received by the Buyer in its sole satisfaction and respond to that time for the damage caused to the Buyer, as well as losses and shortages of the Products. Likewise the Seller is liable for all damages that could potentially cause to property or personnel of the Buyer or any third party, including but not limited to, general means of communication, natural resources, derivative from quality failures, quantity, packaging, transport and/or improper operations performed by the Seller in the performance of the Services or delivery of the Products which the Order relates to, making it necessary to hold harmless the Buyer, subsidiaries, affiliates, shareholders, directors, officers and/or employees from any claims and/or demands of any



kind which any third party exercises against him for this purpose. Unless otherwise stated in the Order, the terms of delivery for all deliveries made under the Order shall be "FOB (Incoterms 2010) – at the place that the Buyer points out in writing in the Order".

16. **INSURANCE:** The Seller shall maintain insurance coverage with carriers of the Products in a manner acceptable to the Buyer. The Seller shall provide to the Buyer a certificate attesting compliance with these insurance requirements or certified copies of all insurance policies within 5 (five) calendar days following the date of the request by the Buyer. The policy shall provide that the Buyer shall be notified by the insurance company with at least thirty (30) calendar days in advance of any modification or cancellation of the insurance. The delivery by the Seller of insurance policies or purchase of insurance does not release the Seller of its obligations or responsibilities under these Terms. If delivery of the Products or provision of the Services to be performed on Buyer's premises, the Seller shall have a civil liability policy with comprehensive coverage issued by an insurance institution of recognized covering the Buyer any liability for damages, losses or damages sustained as a result of the supply of Products or the provision of Services by the Seller (in their persons, goods and/or properties). Premiums generated as a result of this policy shall be the sole responsibility of the Seller. In case of loss, the Seller agrees to cover the insurer's deductible. Nothing in this Section shall affect and/or alter the application of any other provision of these Terms.

17. **FORCE MAJEURE:** Means a fortuitous event or force majeure but not limited to, those acts or events beyond the control of the parties, such as strikes, labor disturbances (generalized and not specific to the production center of either parts), riots, quarantine, epidemics, war (declared or undeclared), blockades, acts of terrorism, civil disturbance, insurrection, fires or explosions (when has not been given caused or contributed to), storms, earthquakes, floods and other causes for being out of the will of the parties obstruct the performance of any obligation. If any of the parties is affected by an event of acts of god or force majeure, notified immediately in writing to the other party, and in any event within 24 hours of the initiation of the event, noting the effects of the event with respect to the performance of its obligations under these Terms, and the estimated duration of the

event. Also affected by the event of acts of god or force majeure the party shall immediately notify his counterpart at the time of such event termination. During the duration of the force majeure event affecting the Seller, the Buyer may purchase to a third-party Products and reduce the proportion of its obligations under any Order, without the Buyer incurring in any responsibility. If the default or event of force majeure affecting the Seller longer than thirty (30) calendar days, the Buyer may immediately cancel the Order without incurring in any liability. A force majeure event shall not constitute any basis for increasing the price of the Products or Services.

18. **RESCISSION:** In the event of material breach of any of the parties to their obligations pursuant to these Terms shall entitle the affected party to choose to claim the enforceability or termination of the obligation without court hearing in both cases, compensation for damage to originate such breach, in accordance with Article 1949 of the Civil Code for the Federal District in common matters and throughout the Republic in federal matters. If the failure is due to an act of god or force majeure shall not apply the provisions of the preceding paragraph of this Clause. Means material breach by the Seller, (a) the delivery of the Products which do not meet the specifications provided or expressly accepted by the Buyer; (b) the delivery of the Products extemporaneously; (c) the non-delivery of the Products to the Buyer; or (d) the incomplete or partial delivery of the Products to the Buyer. Moreover, the term material breach by the Buyer means the non-payment of the price of the Products delivered. The parties may only terminate all or part of the Order, without incurring any liability and without having to pay any amount, if the other party breaches any of its obligations assumed under these Terms and is not remedied such breach within thirty (30) calendar days following the date of receipt of the written notice of default, where such failure shall be disclosed. In the event of such termination, the Buyer, without prejudice to any other rights and remedies, may (a) reject the delivery of Products or Services; (b) recover any advance paid by the Seller or returned from undelivered Products, or Services not provided; and (c) request a refund of any amount covered by the Buyer. The Seller will comply with all their obligations while there is a dispute or claim pending resolution pursuant to these Terms.

19. **INSOLVENCY:** The Buyer may terminate the Order immediately, without judicial



declaration, and without liability to Seller, if any of the following cases occur, or similar to these: (a) the Seller is declared bankrupt or commercial insolvency proceedings; (b) insolvency of the Seller; (c) the Seller is noticed to strike, or when that notice results in going on strike that is not lifted within five (5) business days; (d) The Seller is declared in dissolution and/or liquidation; (e) the appointment of an insolvency administrator, bankruptcy trustee or controller by the Seller; (f) the execution by the Seller of an assignment of its assets for the benefit of its creditors; or (g) by the total or partial sale of the assets of the Seller involving a change of control. The Seller shall immediately inform the Buyer in writing of the occurrence of any of the events mentioned above.

20. **EARLY TERMINATION:** Apart from any other rights of the Buyer to terminate the Order, the Buyer may immediately terminate all or a portion thereof, at any time and for any reason, upon written notice to Seller at least 5 (five) calendar days in advance. Upon termination, the Buyer shall pay to the Seller the following amounts without duplication: (a) the Price of the delivered Products or Services concluded in accordance with these Terms and that have not been previously paid; and (b) the Products in the manufacturing process, in the way that its value should be determined in proportion relative to the price agreed in the Order, the Seller shall make delivery of such Products to the Buyer. The Buyer shall not make payments in respect of finished Products in manufacturing process or raw materials fabricated or obtained by the Seller, in quantities exceeding those authorized by the Order, and for Products not delivered, which are Products of the stock of the Seller or were easily tradable. Payments made under this clause, shall not exceed the total price to be paid by the Buyer for finished Products or Services that would be manufactured or supplied by the Seller in terms of delivery schedules arising from the Order, effective on the termination date. Except as provided in this clause, the Buyer shall not be responsible and will not be obligated to make payments to the Seller, directly or on account of claims by Seller's subcontractors, for loss of profits, damages, unabsorbed overhead, interest on claims, product development and engineering costs, unamortized depreciation costs, rental costs of facilities and equipment, and general and administrative costs relating to the termination of the Order. Within sixty (60) calendar days following the effective date of termination, the Seller shall submit a

comprehensive termination complaint to the Buyer, with sufficient supporting data to allow its review by the Buyer, and thereafter, the Seller will provide immediately any additional supporting information which the Buyer may claim. The Buyer shall have the right to review, audit, verify and examine all books, records, facilities, materials, labor, inventory, and any other items relating to any termination complaint of the Seller. The parties expressly agree that any claim not filed by the Seller within the time abovementioned will prescribe.

21. **NOTICE OF LABOR DISPUTES.**

Whenever the Seller has knowledge that an actual or potential labor dispute delays or threatens to delay the timely performance of the Order, the Seller shall give written notice to the Buyer immediately of such situation, including all relevant information on the dispute, so that the parties can agree on an adequate supply of Products or provision of Services pursuant to these Terms, in the event of a strike or work stoppage, and thus avoid as possible that such a strike or work stoppage affects the operating activities of the Buyer.

22. **COMPLIANCE WITH LAW:**

The Seller and all Services provided or Products delivered by the Seller pursuant to these Terms shall comply with all federal and municipal, state, and with all rules, regulations, decrees, Mexican official standards and provisions that may apply, including but not limited to, the Federal Labor Law, Social Security Law, the Law Institute of the National Housing Fund for Workers, the Federal Environmental Responsibility and any other laws and regulations applicable in places where the Buyer trades (a) the Products and/or Services covered by the Order; or (b) final products that incorporate the Products subject to the Order, as applicable. The Seller shall immediately remedy any breach and shall indemnify and hold harmless the Buyer and its customers, from any liability caused by such breach, and agrees to pay the Buyer and its customers for damages to be incurred for failure to comply with the applicable provisions.

23. **CODE OF CONDUCT AND CORRUPTION PRACTICES:**

The Seller shall deliver the Products and provide the Services pursuant to these Terms, with the highest standards of ethics, in compliance with policies, regulations, manuals and codes of conduct and other standards of the Buyer, applicable to Seller. Seller agrees to comply with the



Code of Conduct of the Buyer, the same that is available on the following page: http://www.kuo.com.mx/anexos/codigodetica_kuo_es_p.pdf. Likewise, the Seller agrees not to engage in corrupt practices, including any kind of bribe or kickback.

24. **TECHNICAL SHEET, PRODUCT SAFETY DATA SHEET AND ENVIRONMENTAL MANAGEMENT SYSTEM:** Seller shall provide Buyer with the Technical Sheets of the Products, Technical Manuals of their designs, as well as Product Safety Data Sheet (HDS), in terms of NOM-018-STPS-2000, at the time they are delivered to the Buyer, documents that shall include but not limited to, the specifications, properties, compatibility and characteristics of the Products, that the Buyer shall know for its disposition, handling, transport, storage and appropriate use. Likewise, the Seller shall inform to the Buyer, in terms of NOM-003-SCT-2008, NOM-004-SCT-2008 and NOM-005-SCT-2008, the characteristics necessary for the mobilization, entry and transport of the Products. The Seller shall comply with applicable legal provisions in the labeling of the Products, among which, but not limited to, it shall comply with NOM-002-SCFI-2011 and NOM-009-SCFI-2002. Likewise, the Seller shall deliver when the Buyer requests so, a certificate(s) that prove(s) that it has an environmental management system for total quality and/or that have and indicative that the Products meet in all times with all applicable provisions on safety, health and environmental protection at the site where they are traded.

25. **IMPORTS AND CUSTOMS:** Credits or benefits resulting or arising from the Order, including trade credits, export credits or the refund or drawback of customs duties, taxes or contributions correspond to the Buyer. The Seller shall provide all information necessary (including written documentation and electronic transaction records) to permit the Buyer to receive such benefits or credits, as well as meet their customs obligations, requirements for labeling or origin marking, and the origin requirements of local content. Export permits or authorizations of Products for the export of the Products shall be the responsibility of the Seller, unless otherwise stated in the Order, in which case the Seller shall provide all documents and information necessary to allow the Buyer obtains such permits or authorizations. The Seller agrees to complete the formalities necessary for the Products

to be included and remain eligible for any deferral of customs duties under free trade agreements or other preferential tariff treatment of the country of importation, including whenever so required by the preferential tariff treatment, a certificate of origin duly signed. The Seller agrees to maintain records to verify that the Products are eligible for preferential treatment noted above, for a period of two (2) years from the date of delivery of any Order. The Seller agrees to provide such records in a timely, written request of the Buyer. The Seller shall comply with all provisions of foreign trade of the importing country.

26. **NO WORKING RELATIONSHIP:** The parties acknowledge and agree that they are independent entities and that the only legal relations between them are under these Terms, so it will not generate any labor relationship in respect of their dependents, employees, agents or staff elsewhere used to achieve the purposes of these Terms, which is why each of the parties shall be solely responsible with their own personal use in the development of it, which is under their immediate direction and dependence, the payment of ordinary and extraordinary salaries, vacations, bonuses, seniority premiums, accidents, layoffs, affiliation in the Mexican Institute of Social Security (IMSS), the Institute of National Housing Fund for Workers (INFONAVIT) and Savings System for Retirement (SAR), as well as any obligation arising from the working relationship between the party and its staff, whether physical or moral persons using the scheme of subcontracting, so no party shall be responsible for conflicts arising from the above concepts that are generated by the staff of the other party, forcing the parties to release and hold harmless the other from any claim that such personnel attempts against him, repaying any amount which may have been seen to disburse for this reason, including costs and attorneys' fees. By virtue of the foregoing, there shall not be any subordination between the parties, which is why there will be no link or relationship of any work.

27. **INDEPENDENCE OF THE PARTIES:** These terms shall not represent, under any circumstances, an association, alliance or any partnership between the parties, so that each will maintain, at all times, independence of each other, as well as their legal personality, each assuming their rights and obligations arising from independent legal acts against third parties. Likewise, these Terms shall not either represent a mandate, nor shall



they grant powers of representation of a part with respect to each other, so that no employee, agent, representative, officer, supplier and other persons of the parties may present themselves as agents, representatives, attorneys or attorneys-in-fact of the other party.

28. **CUMULATIVE RIGHTS AND ADDITIONAL REMEDIES:** The rights and remedies of the parties set forth in these Terms, are cumulative and additional and do not replace the rights and remedies granted to them under applicable laws, if the parties comply with the obligations assumed pursuant to these Terms.

29. **LIMITATION OF LIABILITY:** THE BUYER SHALL NOT BE LIABLE FOR ANY INDIRECT, CONSEQUENTIAL AND INCIDENTAL DAMAGES, SUCH AS LOSS OF PROFITS, LOSSES, LOST OF OPPORTUNITY COSTS, LOSS OF SALES, AMONG OTHERS. THE TOTAL LIABILITY OF THE BUYER PURSUANT TO THESE TERMS SHALL NOT EXCEED THE PRICE OF THE PRODUCTS OR SERVICES THAT HAVE CAUSED THE CLAIM. In the event that the Buyer incurs indirect damages to their clients, which are attributable to a failure by the Seller, the Buyer shall be entitled to charge such damages to the Seller, and the Seller shall compensate the Buyer in the extent and in the proportion in which the Seller has given cause to do so.

30. **NON EMPLOYMENT OFFER:** For a period of one (1) year from the acceptance of the Order, the Seller shall not, directly or indirectly, without the prior written consent of the Buyer, contract, try to hire, recruit or offer employment to any employee of the Buyer related to the Order.

31. **COMPENSATION:** Seller authorizes the Buyer to withhold, deduct, discount, compensate and apply any amount payable by the Seller or any of its subsidiaries or affiliates, the Buyer, by way of penalty or damages, or any other sum of money owed by the Seller to the Buyer pursuant to these Terms. The Seller in no event may withhold, deduct, discount, compensate or apply any owed amount by the Buyer or by any of its subsidiaries or affiliates, nor withhold the delivery of the Products.

32. **NON-EXCLUSIVITY:** Acceptance of the Order by the Seller does not mean the

existence of exclusivity from the Buyer to the Seller for the purchase of Products and/or acquisition of Services, so the Buyer shall be free to acquire with any third party products or services subject to the Order.

33. **COMPETITIVENESS:** If another vendor or supplier gives the Buyer a better price for the Products or Services, under similar conditions to those that are the subject of the Order, the Buyer shall advise in writing the offer received to the Seller, within a period not exceeding ten (10) calendar days, to match or improve the offer. If the Seller fails to match or improve the offer proposal by the third party, within the said period, the Buyer may terminate the Order without any liability on its part, simply by written notice, in this case, will be effective at the 30 (thirty) calendar days on which is received by the Seller, and to freely contract the supply of Products or the provision of Services covered by the Order to such supplier or provider. In this case, the provisions of Clause 20 shall apply.

34. **NOTICES:** All notifications, requests, demands, authorizations, approvals, notices and other communications to be made requiring the parties relating to the Order and these Terms shall be in writing and delivered personally or sent by courier, mail or certified mail, return receipt requested in all cases, to the respective addresses of the parties as identified in the Order, or in the addresses marked for billing purposes, or to such other address as the parties expressly specified by notice in writing, with the understanding that without this notice, all communications and notices shall be validly made in homes marked in the Order. The acknowledgment is the documentary evidence of the notice, which shall take its effects within 1 (one) business day after made. The Seller shall always send a copy of all notices, reports and communications to the attention of: Rogelio Licea García, email: rogelio.licea@kuoafmkt.com, to the following address: Calzada San Bartolo Naucalpan No. 136, Col. Argentina Poniente, Delegación Miguel Hidalgo, C.P. 11230, México, Distrito Federal.

35. **ASSIGNMENT:** The Seller may not assign, encumber or transfer all or part of the rights and obligations it assumes pursuant to these Terms, without the prior written consent of the Buyer. In case that the Seller makes an assignment, the assignee of such assignment shall be required to comply fully with all terms and conditions of these



Terms. For its part, the Buyer reserves the right to assign, encumber or transfer in whole or in part the rights and assumes the obligations pursuant to these Terms, at any time without prior consent of the Seller to any of its affiliates or subsidiaries, upon written notice to the latter.

36. **SUBCONTRACTING:** The Seller may not subcontract all or part of the work related to the Order, without the prior written consent of the Buyer, which shall not release the Seller's compliance with all terms and conditions contained in these Terms. If the Buyer authorizes such subcontracting, the Seller will retain direct responsibility for all subcontracted work pursuant to these Terms, and shall indemnify and hold harmless the Buyer from any liability arising from the acts or omissions of the Seller's subcontractors.

37. **TOTAL AGREEMENT:** These Terms are the entire agreement between the parties and replaces and supersedes any other agreement, contract, arrangement, proposal, pact or any other arrangement that they previously had to the date of issuance of the Order, either orally or in writing. In case of contradiction between the provisions of these Terms and any other document, these Terms shall prevail, except when the Terms themselves refer to the Order in certain specific subjects. These terms and conditions supersede the terms and conditions of the Seller, which shall not have any legal effect.

38. **AUTONOMY OF THE PROVISIONS:** The invalidity, illegality or enforceability of any provisions of these Terms in no way affects the validity and enforceability of the other provisions thereof.

39. **AMENDMENTS AND WAIVERS:** The Buyer may at any time issue updates and/or amendments to the Order and these Terms or other special terms (e.g. specifications, packaging, labeling, shipping instructions, etc.) by publication in the website of the Buyer, so the updates and/or amendments shall be binding to the parties and enforceable from the date of its publication. Any other amendment to the Order and to these Terms shall be made in writing executed by the representatives of both parties. The waiver by either party of any provision of these Terms shall also be in writing. The Buyer shall notify in writing the website where these Terms and its amendments are; therefore, it is the Seller's obligation to review

periodically these Terms and their amendments and/or updates.

40. **TAXES AND CONTRIBUTIONS:** Seller is responsible for their tax liabilities, as for the payment of their taxes and other government charges due under these Terms, in accordance with the applicable laws of matter, so it shall pay all certain taxes now or in the future on the manufacture, sale, transportation, storage or use of the Products and Services. Buyer shall not be considered as jointly liable in respect of Seller regarding to those obligations of fiscal nature, unless Buyer is bound to withhold taxes pursuant to the applicable laws. The Seller will invoice separately to the Buyer the value added tax, sale taxes or similar taxes that the Seller shall pay or collect from the Buyer as required by law.

41. **HEADINGS:** The headings used at the beginning of the clauses of these Terms, shall be used solely for the purpose of ease of reference and shall not affect in any way its interpretation.

42. **DISPUTES, APPLICABLE LAW AND JURISDICTION:** For any matter relating to the interpretation, performance and enforcement of these Terms, the parties submit to the laws and jurisdiction of the competent courts of Mexico City, Federal District, waiving in this act to any jurisdiction that may be applicable due to their present or future domiciles, or any other cause. The parties expressly waive the application of the United Nations Convention on Contracts for the International Sale of Goods. The parties shall continue complying with the obligations assumed pursuant to these Terms, while any dispute, claim or lawsuit is pending of being resolved. The parties shall have a period of 1 (one) year to formally initiate any claim or legal action against the other arising from any breach of these Terms, otherwise, the right to initiate such claim or action will prescribe.

43.PERSONAL INFORMATION: The Seller and the Buyer are aware and accept that in the event that any personal information is processed in order to fulfill the purpose of the Order, both parties shall treat and process such personal information pursuant to the applicable laws and regulations on the subject, and pursuant to each of their privacy policies. To view the privacy notice for Clients and suppliers, please visit www.kuo.com.mx

44.TAX CLAUSE: The Seller undertakes before the Buyer to provide all the documents and information

that prove the due performance of the Services, the delivery of the Products and the due fulfillment of the Order pursuant to Article 69-B of the Federal Tax Code (*Código Fiscal de la Federación*) (CFF for its acronym in Spanish), as well as such documents and information that the tax authority deems appropriate in order to prove the legal operations of the Seller, and that the latter possesses the assets, personnel, infrastructure or material capacity, directly or indirectly, required to provide the Services, or to produce, market, or deliver the Products covered by the tax receipts issued by virtue of the fulfillment of the Order.

Likewise, the Seller understands and accepts that in the event that the tax authority presumes the inexistence of the operations that are covered by any of the tax receipts that the Seller has issued, and it has been notified by the tax authority of said circumstance, the Buyer is thereby authorized to withhold any pending payments in favor of the Seller, without this implying a breach of any of the responsibilities of the Buyer under this contract or under any purchase order, and this shall not generating any liability against the Buyer or the payment of liquidated damages, or arrears against the latter.

The Seller agrees to release and hold harmless and, if applicable, indemnify the Buyer in the event that by virtue of a decision from the tax authority, tax credits are issued against the Seller due to the lack of proof of the legal existence and operations of the Seller in terms of the above mentioned Article 69-B of the CFF.