

## BDS Terms and Conditions Guide

Clause Number: D606M

Effective: 05/29/2012

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### OBSOLESCENCE

#### 1. Obsolescence Definition

Obsolescence is defined as occurring when an indentured electronic component is no longer in production by the original manufacturer. Diminishing Manufacturing Sources (DMS) is defined as an item out of production other than an indentured electronic component and is outside this flow down. If an obsolescence issue occurs, the Seller shall notify the Buyer of this condition upon identification. Seller assumes responsibility for identification, notification, and resolution of obsolescence issues to Buyer.

- a. The Seller shall immediately define the shortage by providing the Buyer with the indentured electronic component manufacturer part number (OEM), affected end item part number, affected end item nomenclature, and components per end item; and
- b. The Seller shall provide satisfactory evidence that a prudent effort was made to identify and implement an alternate part (i.e. parts that are technically and physically compatible with hardware design.). If alternate part was implemented, the Seller shall provide the alternate manufacturer part number (OEM); and
- c. If an alternate part was not identified and implemented, the Seller shall determine whether there is an opportunity for a last time buy. The Seller shall provide the last time buy date and notification, attrition rate of indentured electronic component, replacements to date of indentured electronic component, and SPEC mean time between failures of indentured electronic component to Buyer. Responsibility of last time buys (for which Seller does not have an accepted Purchase Order) shall be addressed on a case by case basis. Seller shall procure last time buy inventory to support any accepted Purchase Orders and reserve for Boeing-Mesa.
- d. Inventory Management
  - i. Warehousing and Handling: The Seller shall store Boeing owned obsolete LTB (Last Time Buy) inventory in a bonded warehouse separated from the Sellers inventory with the exception of those components that require special storage requirements (ex. climate controlled). Use of Boeing's owned LTB inventory will be authorized in a format agreed upon by both Seller and Buyer. The inventory shall be warehoused in accordance with the Sellers internal

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- ii. procedures for handling and warehousing electronic components minimizing the risk of loss or damage.
  - iii. Inventory Packaging: If Buyer procures the part, Buyer requires inventory packaging to be marked "Boeing Owned Property" and be placed in a separate storage container.
  - iv. Inventory Control: On an annual basis if necessary, Buyer will perform an inventory audit at the Seller's warehouse facility. When requested, the Seller shall electronically provide Buyer an inventory list of Buyer and Seller owned components to facilitate future planning.
  - v. Inventory Consumption: On a quarterly basis, the Seller shall notify Buyer of any Boeing owned LTB inventory usage, including attrition. Usage reporting should be sent to Boeing and include the following information:
    - Supplier Part Number
    - Line Replaceable Unit
    - Quantity used
    - Boeing Purchase Order
  - i. Purchase Orders placed requiring Boeing owned inventory will be decremented by the unit price of the last time buy.
2. Obsolescence Issues Requiring Redesign

If, upon determination by the Seller, that there are insufficient parts to meet current contractual requirements, and that redesign is required to meet current requirements, the Seller shall submit a Supplier Change Proposal (SCP) for the redesign effort. Redesigns are outside this scope of work and shall be executed under separate contractual effort.