

BDS Terms and Conditions Guide

Clause Number: M405

Effective: 08/14/2018

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Minimum/Maximum or Signal Based Inventory

This clause sets forth Buyer's Tailored Material Management Inventory guidelines and conditions for Consumption Based Ordering (CBO). If any contract issued hereunder incorporates Min/Max or Signal Based strategies, the following guidelines shall apply in their entirety. The pricing and lead time for such orders will be in accordance with the Prices and Lead times set forth in the Contract.

Seller shall deliver to Buyer Goods as required to maintain inventory at Buyer's facility within a prescribed Minimum-Maximum or Signal Based schedule range. Buyer and Seller shall mutually agree to the minimum and maximum inventory levels or signals from the CBO website. Inventory levels / Signals will be determined on an item by item basis. Buyer and Seller mutually agree to revise inventory levels or Signals as necessary.

Minimum and Maximum Inventory Levels

The initial minimum and maximum inventory levels at Buyer's facility shall be negotiated between Buyer and Seller.

Seller shall maintain program inventory levels between the minimum and maximum levels. Seller shall determine shipment quantities and shipment or delivery dates by utilizing the Demand Forecast, Daily Status and Lead time data, as documented on the Boeing External Supplier Information portal. It is Seller's responsibility to access the External Supplier Information Portal to obtain the Min/Max levels.

The lead times for all items identified as Min/Max shall be listed in the Prices and Lead times set forth in the Contract. Unless specifically authorized in writing by Buyer's Authorized Procurement Representative, Seller agrees that any purchase of materials or performance of work beyond the quantities authorized in the Contract or other limitations as identified in the Contract will be at Seller's exclusive risk.

Signal Based Shipments

Seller shall deliver to Buyer Goods based on inventory system generated demands defined as Signals. Signal will have an "OPEN" and "CLOSE" date separated by the Ship Allowance Time. Each Signal will also contain a "QUANTITY" (number of parts needed by Buyer for each Signal).

The initial Signal "CLOSE" date will be determined by Buyer. The Ship Allowance Time shall be negotiated between Buyer and Seller. The Signal "OPEN" date will be calculated based on the Signal "CLOSE" date less the Ship Allowance Time.

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Seller shall ship the full Signal “QUANTITY” on the Signal “OPEN” date. It is Seller’s responsibility to access the External Supplier Information Portal to obtain the Signals generated with this delivery technique.

Delivery

Seller will ship in accordance with shipping instructions specified in the Contract. Over shipments to the Contract, or shipments which cause inventory levels to be above the maximum or not within Signal range documented on the CBO website, may be returned to Seller at Buyer’s discretion and at Seller’s expense and may adversely affect Seller’s delivery rating.

Forecasting

Demand Forecasts shall be provided by Buyer via the Contractor Integrated Technical Information Service (CITIS) or Boeing Partners Network (BPN) and shall reflect Buyer’s estimated consumption rate on a monthly basis. Demand Forecasts will be updated on a weekly basis; however, actual consumption may vary. It is mutually agreed that the Demand Forecasts are for informational/planning purposes only. Buyer’s failure to order Goods according to the Demand Forecast shall not constitute the basis for an equitable price adjustment, claim or damages of any kind whatsoever. Seller bears all risk for Goods produced in excess of the remaining items to be delivered under the Contract issued pursuant to this Contract, including but not limited to, all costs and expenses related thereto.

Items classified as “active” may, from time to time, fail to appear in the Demand Forecast or may show unexpected quantity changes. This may reflect engineering, spares, or other activity on a particular part or family of parts. Failure of an item to appear on the Demand Forecast shall not be interpreted by Seller as an indication that the item is inactive. Seller shall revert to the latest active Demand Forecast for planning purposes. Seller shall notify Buyer’s Authorized Procurement Representative of any Demand Forecast anomalies for determination and disposition.

Changes/Obsolescence

If parts change or become obsolete due to engineering changes, requirement changes or non-usage, Buyer will formally notify Seller of part numbers and quantities designated as changed or obsolete. Seller shall not be entitled to recover its costs or its profits, if any, for materials purchased or delivered, or for work performed, in excess of the Contract quantity.

Performance Metrics

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Seller's performance shall be based upon maintaining inventory at Buyer's facility that is within the minimum and maximum levels or successfully meeting the demands of each Signal, as documented on the External Supplier Information Portal. External Supplier Information Portal will include a "Metric Effective Date" column indicating the date that performance measurements shall be effective. Measurements shall be maintained on a monthly basis.

In the event that emergent requirements (i.e. spares, AOG's, excessive scrap) can be directly attributed to Seller's negative performance measurements, Seller may request Buyer's Authorized Procurement Representative to remove or revise specific delivery hits. Buyer and Seller may mutually agree to insert a new "Metric Effective Date" which reflects recovery from any such event.

Termination Liability

(A) Buyer's liability for the termination of all or any portion of this Contract shall not exceed the lesser of:

- (1) Actual expenses incurred by Seller for work in process plus (finished goods inventory at the Seller times Unit Price) for the terminated part numbers; OR
- (2) Unit Price times (Buyer's MAX Inventory Level minus Buyer's TOTAL STOCKAVAILABLE) for the terminated part numbers at the time the termination is issued.

(B) Seller shall assume total liability for effort beyond that set forth in Paragraph (A) above.

(C) For purposes of this clause, work in process is those Goods which are in work to support Buyer's forecast requirements, and are at or within order lead time as set forth in this Contract or in another document referenced by this Contract.