

**IDS Terms and Conditions Guide**  
**Section M**

**Clause Number: M405**  
**Effective: 3/7/2007**  
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**MINIMUM/MAXIMUM INVENTORY AGREEMENT**

This Agreement sets forth the Buyer's Tailored Material Management Inventory guidelines and conditions for consumption based ordering. If any purchase contract/order/work order issued hereunder incorporates Min/Max or Discrete Pull strategies, the following guidelines shall apply in their entirety. The pricing and leadtime for such orders will be in accordance with the Prices and Lead times set forth in the Purchasing Contracts.

Seller shall deliver to Buyer product as required to maintain inventory at Buyer's facility within a prescribed Minimum-Maximum range. The Buyer and Seller shall mutually agree to the minimum and maximum inventory levels. Inventory levels will be determined on an item by item basis. Buyer and Seller mutually agree to revise inventory levels as necessary.

**I. 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 the 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 Purchasing Contracts. Unless specifically authorized in writing by Buyer's purchasing representative, Seller agrees that any purchase of materials or performance of work beyond the quantities authorized in the Purchasing Contracts or other limitations as identified in the purchasing contract will be at Seller's exclusive risk.

**II. Delivery**

Seller will ship in accordance with shipping instructions noted on the Purchase Contract. Over shipments to the Purchasing Contracts, or shipments which cause inventory levels to be above the maximum range documented on the Buyer's Website, may be returned to Seller at Buyer's discretion and at Seller's expense and may adversely affect Seller's delivery rating.

**III. Forecasting**

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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 unless authorized in writing by the authorized Buyer's purchasing representative. Seller bears all risk for goods produced in excess of the remaining items to be delivered under Purchasing Contracts issued pursuant to this Agreement, 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 the 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 of any Demand Forecast anomalies for determination and disposition.

**IV. Changes/Obsolescence**

If parts change or become obsolete due to engineering changes, requirement changes or non-usage, the Buyer will formally notify Seller of part numbers and quantities designated as changed or obsolete. Unless authorized in writing by the Buyer, the 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 undelivered Purchasing Contract quantity Contracts or other limitations as identified in the purchasing contract.

**V. Performance Metrics**

Seller's performance shall be based upon maintaining inventory at Buyer's facility that is within the minimum and maximum levels, 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 solicit Buyer to have specific delivery hits removed or revised accordingly. Buyer and Seller may mutually agree to insert a new "Metric Effective Date" which reflects recovery from any such event.