

Vendor Managed Inventory Agreement

On this date _____, Diversified Designs (hereafter referred to as "Supplier") and _____ (hereafter referred to as "Buyer") do hereby enter into a Vendor Managed Inventory Agreement on the following item or items:

1. Object and term of the agreement

1.1. The object of this agreement is to regulate a Vendor Managed Inventory (VMI) process between Buyer and Supplier. It is agreed that under Vendor Managed Inventory:

- The customer gives the Supplier full responsibility to replenish inventories.
- Both the Buyer and the Supplier agree to share all the information which is necessary for VMI.
- The Supplier assures the Buyer the level of performance specified in the SLA.

1.2. This agreement comes into force on _____ (date), and the Supplier will operate the vendor managed inventory from calendar week _____ (order date) onwards. The agreement is concluded for an indefinite period of time.

1.3. Unless otherwise specified in this agreement, the provisions of the main trade agreement _____ (date), the general terms and conditions of business as well as the Buyer's logistics guidelines apply.

2. Service Level Agreement (SLA)

2.1. Parties agree to share all the information needed to support VMI over electronic data interchange (EDI), as specified in chapter 4. They commit themselves to adapt their information systems to new business processes.

2.2. Handling of out-of-stock problems

2.2.1. The parties undertake to inform each other immediately if signs of an OOS become evident and together find a solution.

2.2.2. When a longer OOS (more than 7 days) occurs for the first time, the parties undertake to have a meeting within _____ days, in which the further steps are jointly specified in a form that is binding to the parties.

2.2.3. In the event of recurring longer or shorter OOS, the Buyer may advise the Supplier by means of official notice that in the event of another OOS, Buyer will invoice the margin lost in relation to the lost sales including a flat rate administrative fee of the mutually agreed amount. The lost sales are calculated on the basis of the average daily revenue of the Buyer's points of sale in the previous month multiplied by the number of OOS days from the date of the notice.

2.3.4. Force majeure. Where proof is provided that the OOS was due to force majeure, any liability to pay compensation is waived. Typical traffic congestion does not constitute force majeure.

2.4. Delivery terms.

2.4.1. Delivery times by Buyer locations are specified in chapter 4.4

2.4.2. The parties agree to inform the other party [redacted] days in advance if there will not be a delivery for a valid reason. During such period exceeding max quantities and OOS are allowed temporarily until the next expected delivery.

2.4.3. Emergency deliveries, which allow to react to unexpected demand changes (e.g. due to weather changes for seasonal products), can be done [redacted] (list of occasions).

3. Agreed Assortment and Promotions

3.1. Assortment.

3.1.1. Assortment will be agreed for [redacted] months. The assortment list is managed in an Assortment File [redacted] (name and location), which is coordinated by both parties. In case assortments differ by Buyer locations, the Assortment List should specify all assortments by locations.

3.1.2. Target minimum and maximum stock levels and delivery units are specified in the Assortment File. The minimum and maximum stock levels of each item will be reviewed [redacted] (how often).

3.1.3. Updates to assortment (new products, replacements and delisting of products) will be done as previously. New introductions, replacements and delisting(s) are planned mutually.

3.2. Handling of promotions.

3.2.1. Vendor promotions are managed by Buyer/Supplier. The Buyer must order the promotional volume from the Supplier no later than [redacted] weeks prior to delivery. Separate orders (EDI orders) are generated by the Buyer's inventory management system for this purpose. Any additional deliveries during the promotion are initiated and/or confirmed by Buyer.

Or

The Buyer discusses the rolling promotion schedule with the Supplier and determines the promotional volume to be sold jointly with the Supplier. No ordering from Buyer, and VMI is used to replenish also promotional items.

3.2.2. Buyer promotions. In case the Buyer plans measures to boost sales, such as longer opening hours, coupons or nationwide special offer days, the Buyer undertakes to advise the Supplier [redacted] weeks prior to the activity, so as to enable the Supplier to ensure general product availability.

4. Information Exchange

4.1. Information sharing over electronic data interchange (EDI)

4.1.1. EDI services of [redacted] (name of EDI operators) are used to exchange all data and documents between the parties. All documents will be forwarded in either (XML, EDIFACT, Ideal Message, Fax, PDF etc) format.

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4.1.2. If the Buyer receives an EDI transmission regarding an imminent delivery too late, or the transmission is incorrect or the Buyer does not receive it at all, the resultant costs are charged to the Supplier, unless he proves that he cannot be held responsible for the circumstance.

4.1.3. Back-up process. If the electronic data interchange cannot be guaranteed for several days, the Supplier is authorized to trigger the order process on the basis of the available data (extrapolation). In such circumstances, the Buyer undertakes to send daily inventory reports to the Supplier by fax or e-mail.

4.3. Standardized EDI documents that are exchanged between Buyer and Supplier are (pick from list):

Code	Description	Responsible for Sending	Daily, Weekly, Monthly Frequency
INVRPT	Inventory Report	BUYER	
SLSRPT	Sales Report	BUYER	
PROACT	Product Activity Report	BUYER	
ORDRSP	Order Response	SUPPLIER	For each Transaction
DESADV	Dispatch Advice	SUPPLIER	Before each Delivery
RECADV	Receipt Advice	BUYER	On each Receipt

4.4. Product master data synchronization. For each product, the following attributes need to be shared (on top of regularly exchanged master data):

Field	Explanation Value	Response Value
Minimum Target Stock	Replenishment point, Safety Stock	
Maximum Target Stock	Level of stock (Not to be Exceeded)	
Processing Time	Order Processing Time	
In Transit Time	From Supplier to Buyer	

4.5. Locations, Buyer warehouses/locations. The following elements should be detailed:

	Field	Explanation Value
1	Ship to Address:	
2	Invoice to Address:	
3	Replenishment Frequency	
4	Agreed Delivery Time	

5. Miscellaneous

5.1. The parties undertake to treat as confidential vis-à-vis third parties all information which is marked as confidential or which obviously is confidential and which they receive from each other as part of the VMI cooperation. They ensure that their employees and contractual partners also comply with this obligation. This duty to maintain secrecy continues after the end of the agreement for as long as there is an interest in maintaining confidentiality.

5.2. The contacts at both contractual parties for Operations, Sales, Management and Technical Support are listed in Contacts list below:

Position Responsible	Supplier's Personnel	Buyer Personnel's
VMI Project Owner		
Operations		
Sales		
Technical Support		

If specific responsibilities are reassigned in the course of business, the relevant adjustments must be made within [redacted] weeks, taking into account the formal requirements agreed.

5.3. Amendments and supplements to this agreement and its appendices must be in writing and by mutual agreement of the parties.

5.4. Termination of contract

5.4.1. The present agreement will automatically end when the underlying main agreement ends, without requiring separate notice of termination. VMI cooperation may be terminated by either party to the end of each month, subject to a notice period of [redacted] months, whereby the validity of the main agreement may continue independently.

5.4.2. Contract can be ended upon Supplier's continuous failure to replenish goods, and achieve the target KPIs.

5.4.3. In addition, each party has the right to terminate this agreement without notice for good cause at any time. Any circumstance which makes it unacceptable for the party terminating the agreement to adhere to the agreement until the next possible ordinary date of termination is deemed to be good cause. This includes, for example: the opening of bankruptcy proceedings or composition proceedings relating to the counterparty.

5.5. This agreement is governed by The United States of America law. Any disputes arising during the performance of the agreement shall be resolved by way of negotiations. Upon failure to reach an agreement, the disputes shall be settled in [redacted] (Some Court). The arbitral tribunal shall be composed of a sole arbitrator and the language used in the arbitral proceedings shall be English.

5.6. This agreement is drawn up in duplicate. Each party receives a copy signed by both parties.

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date set forth above.

Buyer Party

Supplier Party

By:_____

By:_____

Name:

Name:

Title:

Title: