

## 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 lead time for such orders will be in accordance with the Prices and Lead times set forth in the Purchasing Contracts.

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

Supplier shall maintain program inventory levels between the minimum and maximum levels. Supplier shall determine shipment quantities and shipment or delivery dates by utilizing a Demand Forecast, Daily Status and Lead time data (emailed or faxed), as documented by this Signed MINIMUM/MAXIMUM INVENTORY AGREEMENT. It is the Buyer's responsibility to provide access to the Documents 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, Supplier 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 Supplier's exclusive risk.

### II. Delivery

Supplier 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 this signed MINIMUM/MAXIMUM INVENTORY AGREEMENT, may be returned to Supplier at Buyer's discretion and at Supplier's expense and may adversely affect Supplier's delivery rating.

### III. Forecasting

## Diversified Designs Terms and Conditions

Demand Forecasts shall be provided by Buyer via email or faxed document 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. Supplier 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 Supplier as an indication that the item is inactive. Supplier shall revert to the latest active Demand Forecast for planning purposes. Buyer shall notify Supplier 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 Supplier of part numbers and quantities designated as changed or obsolete. Unless authorized in writing by the Buyer, the Supplier 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

Supplier's performance shall be based upon maintaining inventory at Buyer's facility that is within the minimum and maximum levels, as documented on this signed MINIMUM/MAXIMUM INVENTORY AGREEMENT. Supplier Information should or will include a "Metric Effective Date" column indicating the date that performance measurements shall be effective. Measurements shall be maintained at Buyer's basis.

In the event that emergent requirements (i.e. spares, excessive scrap) can be directly attributed to Supplier's negative performance measurements, Supplier may solicit Buyer to have specific delivery hits removed or revised accordingly. Buyer and Supplier may mutually agree to insert a new "Metric Effective Date" which reflects recovery from any such event.

## VI. 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 Supplier for work in process plus (finished goods inventory at the Supplier times Unit Price) for the terminated part numbers; OR (2) Unit Price times (Buyer's MAX Inventory Level minus Buyer's TOTAL STOCK AVAILABLE) for the terminated part numbers at the time the termination is issued.

(B) Supplier 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.

## VII. Price Increase Policy

Buyer will receive a 90-day written notice for any proposed price increase, to be delivered by email or faxed document. This is to be done prior to the effective date of such price increase and prior to any shipment of parts that would otherwise be billed at the new increased price. Buyer reserves the right to conduct market tests on a required part prior to accepting any increase.

MINIMUM/MAXIMUM INVENTORY AGREEMENT

On this date \_\_\_\_\_, Diversified Designs (hereafter referred to as "Supplier") and \_\_\_\_\_ (hereafter referred to as "Buyer") do hereby enter into a Min/Max Inventory Agreement on the following item or items:

Item/Part #	Min Stock Qty	Max Stock Qty

(Attach a sheet if necessary if 6 or more parts are required per this agreement)  
Requires a referenced Document # \_\_\_\_\_.

**Buyer's Responsibilities:**

1. Should Buyer make a change to any item(s) referenced in this agreement which would cause the item(s) to 1) become obsolete, 2) require rework by the Supplier to make the part usable or 3) no longer be needed for any reason, Buyer will assume financial responsibility for the finished goods inventory as agreed to in this document.
2. Buyer will allow **Diversified Designs** to have access to Buyer's electronic planning system or documents Demand Forecast, Daily Status and Lead time data (emailed or faxed), should the desire be expressed, and the proper paperwork completed by said supplier.

**Supplier's Responsibilities:**

1. Agrees to hold the above item(s) in finished stock for immediate shipment to Buyer. Immediate shipment is defined as the mutually agreed upon date that supplier would have product available.

Date to have initial stock in place \_\_\_\_\_.

2. Agrees to hold price on said items and will provide Buyer with a 90 day written notice before any proposed price change that is not the result of a design change by Buyer.

Diversified Designs Terms and Conditions

3. If Buyer determines that the product held by the Supplier has a quality issue or specification deviation that cannot be repaired by **Diversified Designs** , Buyer will not be required to purchase the non conforming product.

**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: