

CLAUSE M-405

MINIMUM/MAXIMUM INVENTORY AGREEMENT

This Agreement sets forth the Buyer's Minimum/Maximum (Min/Max) Inventory guidelines and conditions for consumption based ordering. If any purchase contract/order/work order issued pursuant to this Requirements Contract incorporates Min/Max, the following guidelines shall apply in its entirety. The pricing and leadtime for such orders will be in accordance with the Prices and Leadtime Schedule set forth in this contract.

Seller shall deliver to Buyer, product as required to maintain a minimum inventory at Buyer's facility while not exceeding the corresponding maximum inventory levels at Buyer's facility. 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 based upon, but not limited to: forecasted requirements, cost of part(s), manufacturing leadtime, delivery time and frequency of delivery. Initial minimum and maximum inventory levels are included in the Min/Max Inventory Levels attached hereto.

Seller will maintain program inventory levels between the minimum and maximum levels. Seller will determine shipment quantities and shipment or delivery dates by utilizing data on the Min/Max Inventory Worksheet posted on the Buyer Website which may be modified at Buyer's discretion. This worksheet shall indicate both the negotiated minimum and maximum inventory levels as well as the current inventory level at Buyer's facility. The inventory level on this work sheet shall be updated daily by the Buyer to reflect current status. Seller shall base actual shipments upon the information included on this worksheet. The Min/Max Inventory Worksheet is the Seller's authority to ship. It is the Seller's responsibility to access the Buyer's website to obtain the Min/Max levels.

The leadtimes for all items identified as Min/Max, are listed in the Price and Leadtime Schedule set forth in this contract. Unless specifically authorized in writing by Buyer's purchasing representative, Seller agrees that any purchase of materials or performance of work beyond the twelve month forecasted quantity, as listed in the Min/Max Inventory Worksheet, will be at Seller's exclusive risk.

II. Delivery

Seller will ship in accordance with shipping instructions noted on the purchase contract/order. Overshipments, above the maximum levels specified in the Min/Max

Inventory Worksheet posted 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

Forecasts shall be provided via the Contractor Integrated Technical Information Service (CITIS) network and shall reflect Buyer's estimated consumption on a monthly basis and will be updated on a weekly basis. The actual consumption may vary. It is mutually agreed that forecasts are for informational/planning purposes only. Buyer's failure to order goods according to any forecast shall not constitute the basis for an equitable price adjustment, claim or damages of any kind whatsoever. Actual shipments are to be based on the Min/Max Inventory Worksheet. Seller is not authorized to proceed on quantities in the forecast that exceed the total quantity on open purchase contract/orders to the Seller unless authorized in writing by the authorized Buyer purchasing representative. Seller bears all risk for goods produced in excess of the remaining items to be delivered under purchase contract/orders issued pursuant to this Agreement, including but not limited to, all costs and expenses relative thereto.

Items classified as "active" may, from time to time, fail to appear in a 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 forecast shall not be interpreted by the Seller as an indication that it is inactive. Seller shall revert to the latest active forecast for planning purposes. Seller shall notify Buyer of forecast anomalies for determination and disposition.

IV. Open Purchase Contracts/Orders

The Buyer and Seller mutually agree that any undelivered purchase contract/order items that have been identified as Min/Max, may be converted, at Buyer's discretion, to incorporate the Min/Max guidelines contained herein. The open purchase contract/orders will be modified to reflect a single schedule for the remaining undelivered purchase contract/order quantity. The Min/Max inventory worksheet shall be considered the Seller's authority to ship goods, but only up to the undelivered purchase contract/order quantity. If actual requirements exceed or are expected to exceed the total undelivered purchase contract/order quantity, the Buyer may revise the quantity by issuance of a purchase contract/order change or issuance of a new purchase contract/order.

Seller shall not charge Buyer any additional cost for the conversion, implementation and administration of the consumption based ordering process for this Program.

V. 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. In no event shall the Seller be entitled to recover its costs or its profits, if any, for materials purchased or delivered or for work performed

beyond the twelve month forecasted quantity and/or in excess of the undelivered purchase contract/order quantity, whichever is less.

VI. Performance Metrics

Seller's performance will be based upon maintaining inventory at Buyer's facility that is within the minimum and maximum levels as identified on the Min/Max Worksheet. The worksheet shall include a "Metric Effective Date" column indicating the date that performance measurements shall be effective. Measurements will be taken each time the min/max inventory worksheet is updated.

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 measurements removed or revised accordingly. Buyer and Seller may mutually agree to insert a new "Metric Effective Date" reflecting recovery from any such events.

If the Seller's SPMS composite rating for quality and/or delivery deteriorates below a Bronze rating for a six month period due to Seller's non-performance, Buyer reserves the right to procure the items from an alternate source. In addition, the Buyer may, at its own discretion, decrease the quantity of Seller's open orders.