

Appendix SMI

Supplier Managed Inventory

1. DEFINITIONS

The following terms shall have the meanings set forth below:

“Supplier Network Collaboration” or “SNC” is a web based tool, located on the OneAero External Portal, <http://www.myexostar.com/>, to provide SELLER with visibility into current inventory levels as further described below.

“Supplier Managed Inventory” or “SMI” is one of the functions within the SNC tool for SELLER to use in order to supply items to LOCKHEED MARTIN by way of a consumption based ordering process rather than a schedule driven process.

“Contract” shall have the meaning set forth in the applicable CorpDoc incorporated into this Contract.

“Initial Inventory Date” is the date the SELLER shall have delivered sufficient quantities such that the inventory at LOCKHEED MARTIN’s facilities is at or above the minimum and not above the maximum inventory levels set forth in TABLE I of this Appendix. The Initial Inventory Date shall be calculated by adding the lead times set forth in this Contract to the effective date of this Contract.

2. TABLE I of this Appendix sets forth the minimum and maximum inventory levels SELLER is required to maintain at LOCKHEED MARTIN’s facilities. The pricing, total order quantity and lead-times for these items shall be in accordance with the prices, order quantities, and lead-times as set forth elsewhere in this Contract.
3. SELLER shall deliver the items identified in this Contract based on actual usage (consumption) rather than on pre-defined dates set out in a delivery schedule. These items shall be delivered in sufficient quantities and at appropriate intervals, in order to maintain inventory levels at LOCKHEED MARTIN’s facilities at or above the minimum inventory levels, but not to exceed the maximum inventory levels set forth in TABLE I of this Appendix SMI.
4. SELLER shall deliver sufficient quantities of items such that the inventory at LOCKHEED MARTIN’s facilities is at or above the minimum and not above the maximum inventory levels set forth in TABLE I of this Appendix at the Initial Inventory Date.

5. LOCKHEED MARTIN and SELLER shall use the SNC tool for the purposes of managing schedules, inventory, and shipping notifications.
6. SELLER shall use the SMI function within the SNC tool to obtain visibility into current inventory requirements (minimums and maximums) and current inventory levels. The SNC tool sets out both the minimum and maximum inventory levels, as well as the current inventory level at LOCKHEED MARTIN's facilities.
7. Notwithstanding the minimum and maximum quantities set forth in TABLE I of this Appendix SMI, the inventory levels in the SNC tool, or any forecasted requirements provided within the SNC tool, SELLER shall not manufacture or deliver any items in excess of the total authorized quantities set forth in this Contract. LOCKHEED MARTIN shall have no obligation to accept delivery or make payment for quantities in excess of those specified in this Contract.
 - a. In the event of inconsistencies in the minimum and maximum inventory levels as set forth in TABLE I of this Appendix SMI and the SMI function of the SNC tool, this Appendix shall take precedence.
 - b. Unless specifically authorized in writing by LOCKHEED MARTIN's Purchasing Representative, SELLER agrees that any purchase of materials or performance of work beyond the authorized quantity or a twelve month forecasted quantity, whichever is less, as listed in the SMI function, shall be at SELLER's exclusive risk, excluding material or hardware subject to minimum purchase quantities.
 - c. Any shipments over the maximum levels specified in TABLE I of this Appendix SMI may be returned to SELLER at LOCKHEED MARTIN's sole discretion and at SELLER's expense.
 - d. In the event of a change, pursuant to the terms of this Contract, no claim will be allowed for any manufacture or procurement beyond the twelve month forecasted quantity or in excess of any undelivered authorized quantity, whichever is less, excluding material or hardware subject to minimum purchase quantities.
8. From time to time, LOCKHEED MARTIN may change the minimum and maximum inventory levels as set forth in TABLE I of this Appendix SMI; LOCKHEED MARTIN shall immediately notify SELLER of any such changes and shall modify the Contract accordingly.
9. Forecasted requirements shall be provided via the SMI function within the SNC tool and shall reflect LOCKHEED MARTIN's estimated need. The actual consumption may vary. The forecasts are for informational and planning purposes only. LOCKHEED MARTIN's failure to order items according to any forecast shall not constitute the basis for an equitable

price adjustment, claim, or damages of any kind.

10. From time to time, items reflected in the SMI function, may reflect unanticipated and sudden changes to the forecasted quantities. SELLER shall notify LOCKHEED MARTIN of any anomalies of the forecasted quantities for analysis and confirm from LOCKHEED MARTIN the actual forecasted quantities.
11. SELLER agrees that any items in this Contract that are not subject to this Appendix may be converted to SMI and added to TABLE I of this Appendix at no increase in price.
12. SELLER's failure to deliver items within the specified minimum and maximum inventory quantities shall, among other things, adversely affect SELLER's delivery rating.
13. Any inconsistencies in this Appendix shall be resolved in accordance with the order of precedence as set forth in this Contract.

**TABLE I
MINIMUM AND MAXIMUM INVENTORY LEVELS**

#	Part Number	Plant	Minimum Level	Maximum Level
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				