
BALANCE OUT / CLAIM PROCESS

Sound inventory management programs at Key Safety Systems (KSS) and at Supplier's facilities should result in minimal obsolescence costs for the balance out of programs. These inventory management programs should be supplemented with clear and accurate communication regarding expectations, commitments and requirements. Although there are occasional exceptions, most balance-outs are known with adequate lead-time to minimize exposure and premium costs. Our goal is to balance-out programs with no cost to KSS, our Customer, or our supply base.

KSS will notify Supplier following KKS' receipt of preliminary information regarding a change in the balance-out status of a component or raw material. KSS typically is able to provide such notice 2 months before the phase-out or last purchases date. This notification will be in the form of a comment on the weekly supplier schedule detailing "Watch schedules carefully, part is phasing-out". This notification will be supplemented by the issuance of a balance-out memo from the using plant.

Suppliers are required to strictly monitor KSS schedules as provided to Supplier, particularly after receiving notification of phase-out status, to minimize any potential obsolescence. If the Supplier needs to produce/purchase finished goods, material or parts in excess of authorizations, it must first receive written approval from the using plant. This is unlikely to be approved unless the PO or contract order notes special conditions requiring minimum purchases or abnormal lead-times.

Final shipments of balance-out components may require partial containers, smaller than normal lot sizes, and/or shorter lead-times with no increased cost. Suppliers are encouraged to request information regarding the potential of future service/replacement orders for its components from the planner and the Commodity Manager.

CLAIMS FOR OBSOLESCENCE

In the event that obsolescence occurs due to the discontinuation of a part, the following procedure applies: Supplier should submit all claims regarding obsolescence costs to the using site within three weeks of Supplier's final ship date, including cost breakdowns for component material. A copy of the claim should also be provided to the Commodity Manager.

1. Use the obsolescence claim form attached. Provide copies of high point and final releases cited in the claim. Attach relevant documentation of minimum order quantities, unusual material lead times or any other extenuating circumstances that KSS Procurement has agreed to. Fill out form completely.
2. Submit the form and supporting documentation to the Production Control Manager at the using site.
3. KSS site management will review the claim and advise Supplier as to the validity of the claim within thirty days of receipt.
4. All material claimed to be obsolete must be segregated and stored at Supplier's facility pending a possible KSS audit.
5. The relevant KSS customer may require an audit of the material.
6. No material may be disposed of until after final settlement is achieved.
7. If the claim is accepted, the using site will issue a requisition to the Commodity Manager. The Commodity Manager will issue a purchase order to the supplier.
8. The supplier should submit an invoice for the charges only after receipt of the PO.



OBSOLESCENCE CLAIM FORM

Supplier Name _____ Date of Claim _____

Key Safety Part Number _____ Description _____
(Submit only one part per form)

High point fab. accum released _____ Release # and date _____

High point raw accum released _____ Release # and date _____

Accum shipped to date _____ Last shipment qty. _____ Date _____

(Provide copy of high point and final releases. Provide copy of minimum run authorization if applicable)

Finished parts claimed _____ Unit price _____ Extended value _____

Work in process claimed _____ Unit price _____ Extended value _____

Raw material claimed _____ Unit price _____ Extended value _____

Raw material yield (How many finished units per pound, etc.) _____ per _____

Raw material type and specification _____

Supplier's raw material cost per unit (attach supporting invoice) _____

Where is the material located? _____

Are there alternate usage or sales opportunities for the finished goods? _____

Are there alternate usage or sales opportunities for the raw material? _____

Scrap value of work in process _____

Scrap value of raw material _____

Total scrap value _____ (subtract from claim value)

Net Claim Value _____

I certify that the detail provided above is an accurate accounting of the status and value of the part listed.

Signed _____ Title _____ Date _____