

Sanmina-SCI Material Ordering Policies

- A. Initial Forecast. Customer shall provide Sanmina-SCI with an initial sixty (60) day firm purchase order (“**Order**”) and forecast for Product requirements (in monthly buckets) for an additional ten (10) months (“**Forecast**”). The Order – and all subsequent Orders – shall be binding and may be rescheduled only in accordance with Section D, below. Sanmina-SCI shall make purchase commitments (including purchase commitments for Long Lead-time Components) to its Component suppliers (“**Vendors**”) based upon the Order and Forecast, and Customer shall be responsible for all such Components purchased in support of Customer’s then-current Forecast. For all other purposes, however, the Forecast shall be non-binding.
- B. Subsequent Forecasts. On the first business day of each calendar month after the initial Order and Forecast, the first Forecast month shall automatically become part of the Order, a new Forecast month shall be added, and a new firm Order issued, so that a rolling Order of sixty (60) days is always maintained.
- C. Material Requirement Planning Process.
1. Sanmina-SCI shall take the Order and Forecast and generate a Master Production Schedule (“**MPS**”) for a twelve-month period in accordance with the process described in this Section. The MPS shall define the master plan on which Sanmina-SCI shall base its procurement, internal capacity projections and commitments. Sanmina-SCI shall use Customer’s Order to generate the first two (2) months of the MPS and shall use Customer’s Forecast to generate the subsequent ten (10) months of the MPS.
 2. Sanmina-SCI shall process the MPS through industry-standard software that will break down Customer’s Product requirements into Component requirements. When no Product testing (in-circuit or functional testing) is required by Customer, Sanmina-SCI will use commercially reasonable efforts to schedule delivery of all Components to Sanmina-SCI eleven working days before the Products are scheduled to ship to Customer; in the event Product testing is required, Sanmina-SCI will use commercially reasonable efforts to schedule delivery of all Components to Sanmina-SCI sixteen working days before the Products are scheduled to ship to Customer.
 3. Sanmina-SCI will release purchase orders to Vendors prior to the anticipated date that the Components are needed by Sanmina-SCI. The date on which these orders are released will depend on the lead time determined between the Vendor and Sanmina-SCI and Sanmina-SCI’s manufacturing or materials planning systems.
 4. A list of all Components with lead times greater than ninety days (“**Long Lead-time Components**”) shall be provided. Sanmina-SCI shall update the list of Long Lead-time Components every quarter and present an updated list of Long Lead-time Components to Customer at the time Sanmina-SCI presents the Customer with the E&O List

described in Section E, below. Each revised Long Lead-time Item list shall be deemed an amendment to Exhibit B. In the event Sanmina-SCI fails to present an updated list of Long Lead-time Components, the parties shall continue to rely on the preceding list (as updated in writing by the parties).

5. Customer acknowledges that Sanmina-SCI will order Components in quantities sufficient to support up to six months of Customer's Forecast. In determining the quantity of Components to order, Sanmina-SCI divides the Components into three classes, "Class A," "Class B" and "Class C." Class A Components are comprised of the approximately three percent (3%) of Components constituting approximately eighty percent (80%) of the Product's total Component cost. Class C Components are comprised of the approximately eighty percent (80%) of Components constituting approximately three percent (3%) of the Product Cost. Class B Components are comprised of the remaining seventeen percent (17%) of Components constituting approximately seventeen percent (17%) of the Products cost. Sanmina-SCI will place orders with its Vendors for approximately two weeks' worth of Class A Components, three months' worth of Class B Components and six months' worth of Class C Components. A summary of Sanmina-SCI's purchase commitments is set forth in the table below.

Part Class	Expected Percentage of Total Parts	Expected Percentage of Total Value (of Gross Requirements)	Periods Worth of Supply to be Bought with Each Order
A	3%	80%	2 Weeks
B	17%	17%	3 Months
C	80%	3%	6 Months

6. Customer acknowledges that Sanmina-SCI will be required to order Components in accordance with the various minimum buy quantities, tape and reel quantities, and multiples of packaging quantities required by the Vendor. In addition, Customer acknowledges that there is a lag time between any Customer cancellation and the cancellation of the Components required to support production.
- D. Reschedules. Customer may reschedule all or part of a scheduled delivery one (1) time per quarter for a period not to exceed forty-five (45) days in accordance with the table below. At the end of this forty-five day period, Customer shall either accept delivery of rescheduled finished units and/or pay the Sanmina-SCI's Delivered Cost (as defined in Section E below) associated with rescheduled units not yet built.

Days Before P.O. Delivery Date	Percentage Reschedule Allowance
0 – 30	No Change
31 – 60	15%

61-90	30%
> 90	100%

Sanmina-SCI shall use reasonable commercial efforts to accommodate any upside schedule changes beyond the firm Order periods.

E. Excess and Obsolete Inventory.

(i) Definitions:

a. **“Delivered Cost”** shall mean SANMINA-SCI’s quoted cost of Components as stated on the bill of materials, plus a materials margin equal to ten percent (10%).

b. **“Excess Components”** means the Components that SANMINA-SCI has on hand, which have been ordered, manufactured, or acquired based on CUSTOMER’s then-current Forecast or Orders, but for which CUSTOMER has no demand in the ninety day period following the end of each calendar quarter.

c. **“Obsolete Components”** means: the quantity of Components that SANMINA-SCI has on hand, which have been ordered, manufactured, or acquired based on CUSTOMER’s then-current Forecast or Order, but which SANMINA-SCI no longer requires as a result of (i) CUSTOMER’s announcement or notification that the Product into which such Component is incorporated has reached its end of life, (ii) a change in the specification the Product into which the Component is incorporated as a result of an Engineering Change Notice or otherwise; or (iii) Section E (vii) below.

(ii) Within five (5) business days after receiving CUSTOMER’s first Forecast or Order of the first month following the end of each calendar quarter (but no later than the fifteenth business day following the end of each of SANMINA-SCI’s calendar quarters), SANMINA-SCI shall advise CUSTOMER in writing of any Excess Components and their Delivered Cost (the **“Excess List”**). Notwithstanding the foregoing, SANMINA-SCI’s failure to timely provide the Excess List to CUSTOMER shall not affect CUSTOMER’s obligations hereunder.

(iii) Within five (5) business days of receiving SANMINA-SCI’s Excess List, CUSTOMER shall advise SANMINA-SCI of any Component on the Excess List that it believes is not excess, and the parties shall work together in good faith to resolve any outstanding issues.

(iv) Within two (2) business days of CUSTOMER’s issuance of its response to the Excess List, CUSTOMER and SANMINA-SCI will agree on the disposition of the Excess List on a part number-by-part number basis (hereafter the **“Mutually Agreed Excess”**) and shall enter into transactions as defined below to settle the Mutually Agreed Excess.

(v) Within eight (8) business days of the parties’ agreement on the Mutually Agreed Excess, CUSTOMER will pay SANMINA-SCI the amount equal to the Mutually Agreed Excess. SANMINA-SCI will credit these funds to the CUSTOMER’s **“Prepaid Inventory Reserve Account”** which has been established as a “contra-asset” to CUSTOMER’s obligations under this Section E.

(vi) The parties shall use the processes set forth in Sections (i) through (v) above at the end of each calendar quarter to determine the “new” Mutually Agreed Excess for the end of each subsequent calendar quarter. The parties will then compare the prior quarter’s Prepaid Inventory Reserve Account with the “new” Mutually Agreed Excess amount. If the new Mutually Agreed Excess is greater than the Prepaid Inventory Reserve Account, then CUSTOMER shall, within ten (10) business days, pay the difference to SANMINA-SCI, who shall credit the funds to the Prepaid Reserve Account. If the new Mutually Agreed Excess is less than the Prepaid Inventory Reserve Account, then SANMINA-SCI shall, within ten (10) business days, refund the difference to CUSTOMER.

(vii) Excess Components shall be kept in the prepaid inventory reserve account for a maximum period of six months, at which time such Excess Components will be deemed to be Obsolete Components, and handled in accordance with Section (viii) below.

(viii)

a. Within five (5) business days after receiving CUSTOMER’s first Forecast or Order of the first month following the end of each calendar quarter (but no later than the fifteenth business day following the end of each of SANMINA-SCI’s calendar quarters), SANMINA-SCI shall advise CUSTOMER in writing of any Obsolete Components and their Delivered Cost (the “**Obsolete List**”). The Obsolete List shall include all former Excess Components which have been deemed Obsolete Components in accordance with Section (vii) above. Notwithstanding the foregoing, the timeliness of receipt of the Obsolete List shall not affect CUSTOMER’s obligations hereunder.

b. To the extent that any of the amount in the CUSTOMER’s Prepaid Inventory Reserve Account relates to any Obsolete Component (e.g., the Obsolete Component was formerly included in the Excess List, and CUSTOMER included that Component in its funding of the Prepaid Inventory Reserve Account), SANMINA-SCI shall debit the Prepaid Inventory Reserve Account in the amount of the Delivered Cost of such Component. In the event the CUSTOMER’s Prepaid Inventory Reserve Account does not include funding for any Obsolete Component (e.g., the Component was recently rendered obsolete as a result of a design change), SANMINA-SCI shall invoice CUSTOMER for the Delivered Cost of the Obsolete Component, CUSTOMER shall pay SANMINA-SCI’s invoice within twenty (20) business days after the date of invoice. SANMINA-SCI will ship or dispose of the Obsolete Component in accordance with the CUSTOMER’s instructions.

F. Customer Component Liability.

Customer acknowledges that it shall be financially liable for all Components ordered in accordance with these Policies. Specifically, Customer’s Component liability shall be equal to Sanmina-SCI’s Delivered Cost of all Components ordered in support of any Order or Forecast, including any Excess Components resulting from any minimum buy quantities, tape and reel quantities, and multiples of packaging quantities required by the Vendor less the actual cost (per the bill of materials) of those Components which are returnable to Vendor (less any cancellation or restocking charges). At Customer’s request, Sanmina-SCI shall use commercially reasonable efforts to minimize Customer’s Component liability by attempting to return Components to the Vendor; provided, however, that Sanmina-SCI shall not be obligated to attempt to return to Vendor Components which are, in the aggregate, worth less than \$1,000.