



**SCM-BFM-001**  
**Buyer Furnished Material (BFM) Management Plan**

**Revision: 5**

**Date: 10 July 2019**

**Document Change History**

Revision	Description of Revision/Change	Date
1	Added a document number and a “Revision” page.	01 May 2013
2	Revise paragraph II. DEFINITIONS to add “BFM Inventory” and “In-Transit”. Revise paragraph IV.D. Inventory Analysis Reporting, subparagraph 1, to (a) change frequency of Report submittal by the SELLER; (b) identify Form 13042, BFM Inventory Analysis Report; (c) add text regarding SELLER providing an equivalent of Form 13042; (d) remove the specific Report element listing; and (e) add text regarding agreement on different Report submittal frequency.	02 December 2013
3	Add definition for Diminishing Manufacturing Source (DMS) Material. Add reference to DMS material in the definition of Buyer Furnished Material (BFM).	19 January 2015
4	Revise SCOPE paragraph I.C. to clarify the BFM Management Plan implementation in regards to quality requirements.	04 February 2015
5	Revise SCOPE section I. to include paragraph I.G. requiring SELLER to include BFM Management Plan requirements in sub-tier subcontracts. Revise DEFINITIONS section II. to include “Subcontract Inventory Compare Portal”. Revise DEFINITIONS section II. to clarify “Work in Process (WIP)” definition. Revise GENERAL paragraph III.C. to clarify notification method of BFM engineering changes. Revise ROLES AND RESPONSIBILITIES paragraph IV.A.2 to include “contract/prime customer, as applicable”. Revise ROLES AND RESPONSIBILITIES section IV.A to insert new paragraph IV.A.3 and renumber the section. The new paragraph IV.A.3 outlines requirement for SELLER to include BFM Management Plan in sub-tier contracts. Revise ROLES AND RESPONSIBILITIES paragraph IV.A.5 to clarify intention of annual audit. Revise ROLES AND RESPONSIBILITIES paragraph IV.D.1 to change submittal frequency and method to weekly through Subcontract Inventory Compare Portal.	10 July 2019

## **I. SCOPE**

- A. SELLER has subcontracted with LOCKHEED MARTIN for certain services and/or work and pursuant to the Purchase Order (PO) shall receive and maintain certain Buyer Furnished Material (BFM).
- B. This Buyer Furnished Material (BFM) Management Plan establishes the processes governing BFM provided by LOCKHEED MARTIN to the SELLER to be used pursuant to the performance of its PO.
- C. This BFM Management Plan replaces and supersedes any existing and conflicting contractual requirements in regards to Buyer Furnished Material (BFM) that may be defined elsewhere in the PO, Contract or Schedule Agreement regarding LOCKHEED MARTIN and SELLER's responsibilities pertaining to BFM. This BFM Management Plan does not supersede any quality requirements.
- D. Title to all furnished material is, will remain, and at all times shall be deemed to be, the sole and exclusive property of LOCKHEED MARTIN. SELLER acknowledges that it has no present right of ownership or other interest in or to the BFM. SELLER shall not sell, mortgage, encumber, or otherwise subject the BFM to any legal process.
- E. All BFM shall remain in the possession of the SELLER for such period of time as is required for the performance of this PO unless LOCKHEED MARTIN determines that the interests of LOCKHEED MARTIN require removal of such property. LOCKHEED MARTIN shall at all reasonable times have access to the premises where any BFM is located.
- F. SELLER shall be responsible for storing materials and maintaining Inventory Accuracy and, unless otherwise specifically stated in the PO, SELLER hereby assumes complete liability for all BFM including loss or damage thereto and/or expenses incidental to such loss or damage.
- G. SELLER shall include in each lower-tier subcontract where LOCKHEED MARTIN BFM will be provided the requirements for storing, handling, maintaining, and reporting BFM Inventory as outlined in this BFM Management Plan.

## **II. DEFINITIONS**

**As Required Material** – Items identified in the Bill of Material (BOM) for which the quantity required in the next higher assembly is not specified (i.e. wire, cable, rivets, shrink tubing, sealant, paint, Overs/Unders, Raw Material Stock etc.). The quantity required is the amount necessary to perform the task.

**BFM Inventory** – Physical material in stores, Work-in-Process (WIP), and items in transit to receiving plant.

## II. DEFINITIONS (continued)

**Buyer Furnished Material (BFM)** – LOCKEED MARTIN furnished production material to be utilized by the SELLER to manufacture and/or assemble production components under the PO. This includes Diminishing Manufacturing Source (DMS) material.

**Corrective Action** – Action(s) to eliminate the cause of a nonconformance in order to prevent recurrence. Possible actions include, but are not limited to, changes to processes and procedures, inspection requirements, workmanship practices, tools and equipment, facilities, and resources.

**Corrective Action Plan** – A plan developed that identifies the causes of nonconformance, documents actions/tasks taken to prevent recurrence, and documents estimated completion dates for identified actions/tasks.

**Diminishing Manufacturing Source (DMS) Material** – A manufacturer announces the intention to discontinue production of an item or group of items still required for production or support, and such items become Buyer Furnished Material.

**Inventory Accuracy** – The process used during normal and routine stocking and issuing transactions to verify material quantities and locations to an inventory record during periodic scheduled statistical audits.

**In-Transit** – The end item deliverable shipped to LM designated site in the PO.

**LOCKHEED MARTIN** – Refers to Lockheed Martin Corporation, acting through its Lockheed Martin Aeronautics Company, as the purchasing entity under a PO with the SELLER.

**Material Review Board** – Board to review material discrepancies and make disposition decisions.

**Nonconformance** – A condition of any product or component in which one or more characteristics do not conform to requirements. Includes failures, deficiencies, defects and malfunctions.

**Operating Supplies** – Supplies used on the production floor to aid in manufacturing such as cotton swabs, cloth, gloves, bags, tape etc. Also considered as “As Required” material.

**Outside Production Operation Sheet (OPOS)/Outsource Planning** – Used as part of the PO for the manufacture of a component, and provides information for the production of assemblies and components.

**Production Line Stock (PLS)** – Open stock bins used with bulk material in the assembly process (i.e. nuts, bolts, etc.).

**Quality Assurance Document System (QADS)** – A Lockheed Martin Aeronautics automated interface process system that provides capability for identifying, tracking, reporting and correcting a nonconformance.

## **II. DEFINITIONS (continued)**

**Quality Assurance Report (QAR)** – The Lockheed Martin Aeronautics document used for rejection of nonconforming material.

**Repair** – A disposition procedure that completely eliminates the nonconformance. The final condition of the product will comply with drawing, specification, etc., and will meet its intended purpose.

**Request for Proposal (RFP)** – A solicitation document used to obtain offers for complex requirements.

**Return to Vendor (RTV)** – A disposition concerning nonconforming supplier hardware where the determination has been made that the hardware cannot be used in its existing condition and cannot be feasibly or economically reworked or repaired by LOCKHEED MARTIN, thereby resulting in the hardware being returned to its source.

**Rework** – An action on a nonconforming product that will completely eliminate the nonconformance to make it conform to engineering requirements.

**Schedule Work Breakdown Structure (SWBS)** – A location or station on the assembly floor where specific parts are delivered for installation.

**SELLER** – The party identified on the face of the PO with whom LOCKHEED MARTIN is contracting.

**Subcontract Inventory Compare Portal** – An online tool, accessed via Exostar, where the SELLER will upload their BFM Inventory Analysis reports and a comparison of the SELLER's records to LOCKHEED MARTIN's inventory records will be available for review and reconciliation. The tool will also track SELLER's inventory accuracy and submittal frequency.

**Work in Process (WIP)** – Material issued to requirements within SELLER's production flow, including material provided to a sub-tier.

## **III. GENERAL**

- A. LOCKHEED MARTIN and SELLER shall periodically review manufacturing span times and set-backs to ensure BFM arrives at SELLER's facility to support SELLER's manufacturing operations.
- B. Planned BFM will be identified in a Request for Proposal (RFP) submitted to the SELLER. BFM will be listed in an OPOS or other attached RFP file.

- C. In the event of an approved Engineering Change to BFM, LOCKHEED MARTIN shall provide written notification to the SELLER as well as periodic updates to the PO. LOCKHEED MARTIN shall provide the appropriate configuration of BFM to the SELLER.

#### **IV. ROLES AND RESPONSIBILITIES**

##### **A. SELLER**

1. SELLER shall have a system to manage (control, use, preserve, protect, and maintain) BFM in its possession. This system shall address processes, systems, procedures, records, and methodologies necessary for effective control of BFM. It shall enable the identification and protection of inventory in order to maintain reasonable inventory levels and high inventory accuracy. During the period of performance, SELLER shall notify LOCKHEED MARTIN of any significant planned changes to its BFM management system sixty (60) days prior to implementation.
2. SELLER shall have adequate methods for segregating BFM by program and contract/prime customer, as applicable, in order to ensure program inventory accuracy.
3. SELLER shall include in each lower-tier subcontract where LOCKHEED MARTIN BFM will be provided the requirements for storing, handling, maintaining, and reporting BFM Inventory as outlined in this BFM Management Plan.
4. As requested, SELLER shall provide component need dates for BFM by SWBS.
5. SELLER shall conduct an inventory accuracy audit annually. The audit shall consist of location identification and physical count of inventory compared to SELLER's internal ERP system to ensure SELLER maintains 95% Inventory Accuracy of BFM.

The results of the inventory accuracy audit shall be submitted to LOCKHEED MARTIN once completed. Failure to meet the 95% inventory accuracy measure requires the SELLER to create and submit a Corrective Action Plan to LOCKHEED MARTIN or LOCKHEED MARTIN'S BFM Representative.

6. SELLER shall assign a BFM Representative who shall act as LOCKHEED MARTIN's contact for all BFM information and issues. The SELLER BFM representative's responsibilities shall include, but are not limited to, the following:
  - Primary Point of Contact (POC) for all BFM issues.
  - Maintain and communicate the current status of material receipts, shortages, scrap, loss, and rejected BFM.

- Maintain and provide current BFM need dates and manufacturing span time information so LOCKHEED MARTIN can maintain accurate procurement and shipping dates in LOCKHEED MARTIN'S MRP system.

#### **IV. ROLES AND RESPONSIBILITIES**

##### **A. SELLER (continued)**

- Maintain accurate inventory counts and ensure the protection of all BFM in SELLER'S possession.
  - As required, develop and submit to LOCKHEED MARTIN or LOCKHEED MARTIN'S BFM Representative timely PLS forecasts. In the event of an anticipated shortage of PLS and As Required material, SELLER shall provide an updated forecast of material necessary to perform the intended tasks no later than three (3) months prior to need. SELLER'S forecast shall include part number, nomenclature, quantity, and time-phased need dates. Additionally, SELLER'S forecast must be netted against existing BFM stock.
  - Notify LOCKHEED MARTIN or LOCKHEED MARTIN'S BFM Representative of any dispositions by the Material Review Board regarding RTV and/or scrap dispositions.
7. SELLER shall contact LOCKHEED MARTIN or LOCKHEED MARTIN'S BFM Representative regarding any discrepancy or issues pertaining to BFM.
  8. SELLER shall inspect each BFM shipment and report any damage or discrepancies immediately to LOCKHEED MARTIN or LOCKHEED MARTIN'S BFM Representative. The inspection shall consist only of material identification, count, and damage check.
  9. In no event shall SELLER contact any of the LOCKHEED MARTIN'S Suppliers regarding BFM issues unless specifically directed by the LOCKHEED MARTIN or LOCKHEED MARTIN'S BFM Representative.
  10. SELLER shall provide LOCKHEED MARTIN or LOCKHEED MARTIN'S BFM Representative with an accounting of all BFM in its possession that has been dispositioned as scrap. If required, the cost of BFM scrapped by the SELLER shall be reimbursed to LOCKHEED MARTIN through an equitable adjustment to the PO. Scrapped items may not be re-used or transferred elsewhere for use by the SELLER. Proof of disposal will be required in a manner that is acceptable to LOCKHEED MARTIN.
  11. SELLER shall provide LOCKHEED MARTIN with a listing by part number, nomenclature, and quantity of all BFM in SELLER'S possession that is excess or obsolete to identified requirements. LOCKHEED MARTIN or LOCKHEED MARTIN'S BFM Representative shall provide disposition instructions for the excess parts.

#### **IV. ROLES AND RESPONSIBILITIES**

##### **A. SELLER (continued)**

##### **12. Inventory Protection and Management**

- a. SELLER shall at all times protect BFM from damage, theft and loss. BFM shall be stocked in a specified area and not comingled with material from other programs/contracts or with material belonging to other SELLER'S customers.
- b. As required, SELLER shall be required to maintain a temperature controlled environment for the storage of temperature sensitive material such as chemicals.
- c. BFM that is lost or damaged while in the SELLER's possession shall be reported to LOCKHEED MARTIN or LOCKHEED MARTIN's BFM Representative immediately upon discovery. The cost of lost and/or damaged BFM in the SELLER's possession may be reimbursed to LOCKHEED MARTIN through an equitable adjustment to the PO.

13. All BFM hardware non-conformance shall be documented in accordance with the quality requirements as contained in the PO.

14. SELLER shall notify LOCKHEED MARTIN when BFM is rejected or fails.

- a. SELLER shall document any non-conformance to be reviewed by the Material Review Board (MRB) in the BUYER Quality Assurance Document System (QADS) / Supplier Quality Management System (SQMS).
- b. If dispositioned RTV, SELLER shall return BFM at the direction of and to the location specified by LOCKHEED MARTIN or LOCKHEED MARTIN's BFM Representative.
- c. SELLER shall not scrap BFM without authorization from LOCKHEED MARTIN's MRB or explicitly given authorization by LOCKHEED MARTIN or LOCKHEED MARTIN'S BFM REPRESENTATIVE.
- d. SELLER shall only perform rework or repair tasks as authorized by the LOCKHEED MARTIN's MRB disposition of the Quality Assurance Report (QAR).



#### **IV. ROLES AND RESPONSIBILITIES**

##### **B. LOCKHEED MARTIN**

1. LOCKHEED MARTIN may periodically review SELLER's BFM inventory records and physical inventory in order to verify compliance to program requirements. LOCKHEED MARTIN reserves the right to observe BFM inventory: planning, receipt, stocking, transportation, and handling activities in an unobtrusive manner. Failure to adequately plan and protect BFM will result in LOCKHEED MARTIN issuing a request for Corrective Action to the SELLER.
2. LOCKHEED MARTIN may assign a BFM Representative as SELLER's primary point of contact. LOCKHEED MARTIN or LOCKHEED MARTIN's BFM Representative is the point of contact for all matters related to BFM.
3. LOCKHEED MARTIN shall monitor and ensure U.S and Import and Export License coverage is maintained as required.
4. Other responsibilities of LOCKHEED MARTIN or LOCKHEED MARTIN's BFM Representative include, but are not limited to:
  - Coordination of BFM to SELLER shall be established by mutually agreed upon dates as established by mutually agreed upon span-times and set-backs.
  - Provide timely shipment and shortage information.
  - Reconcile and validate changes to BFM requirements driven by an approved Engineering Change.
  - Receive and validate PLS material Requirements.
  - Provide shipping instructions for BFM with a RTV disposition.
  - Negotiate the cost of any authorized repair or rework.

##### **C. SHORTAGE REPORTING**

1. LOCKHEED MARTIN or LOCKHEED MARTIN's BFM Representative is responsible for resolving SELLER's BFM shortages.
2. SELLER shall identify and report BFM shortages to LOCKHEED MARTIN or LOCKHEED MARTIN's BFM Representative as soon as possible.
3. SELLER shall establish a priority system to be utilized for each reported shortage and communicate such priority system to LOCKHEED MARTIN or LOCKHEED MARTIN's BFM Representative.

#### **IV. ROLES AND RESPONSIBILITIES**

##### **C. SHORTAGE REPORTING (continued)**

4. LOCKHEED MARTIN or LOCKHEED MARTIN'S BFM Representative and the SELLER shall mutually agree upon frequency and methodology of submitting a shortage report.
5. Before reporting a shortage, the SELLER shall verify that all prior shipments have been received.
6. SELLER's shortage report shall include, but is not limited to, the following:
  - Part Number
  - Quantity Short
  - On Dock Need Date
  - Shortage Priority Code
  - Last Order Received (Date and Quantity)
  - Remarks – enter any information, such as the QAR number or scrap details, that will assist the Buyer in resolving the shortage.
  - Additional Information, as required such as aircraft tail number, SWBS, etc.
7. LOCKHEED MARTIN or LOCKHEED MARTIN's BFM Representative shall provide status of shortage item.

##### **D. INVENTORY ANALYSIS REPORTING**

1. Unless otherwise directed by LOCKHEED MARTIN, SELLER shall submit to LOCKHEED MARTIN a weekly BFM Inventory Analysis Report through the Subcontract Inventory Compare portal using the .csv file available for download on the webpage. A different frequency submittal shall be mutually agreed upon and documented between LOCKHEED MARTIN and the SELLER.

If the SELLER is unable to obtain access to the Subcontract Inventory Compare portal, the SELLER shall submit the BFM Inventory Analysis Report using the LM Aero format (Form 13042) to their LM Aero BFM Representative and/or LM Aero Subcontract Manager. The LM Aero format is located on the Supply Chain Management (SCM) external website under Terms & Conditions, Forms and Information.

2. LOCKHEED MARTIN and SELLER shall mutually agree upon methodology of submitting a BFM Inventory Analysis Report. Should a Supplier Data Requirements List (SDRL) requirement be imposed in the PO, Contract or Schedule Agreement, SELLER shall submit the data in accordance with the SDRL requirements therein.