



communications

Electrodynamics, Inc.

1200 Hicks Road, Rolling Meadows, IL 60008
847-259-0740 Fax: 847-255-3827

Supplier Performance Assessment Report (SPAR)

Introduction

L-3 Electrodynamics, Inc. (EDI) is ISO9001:2000 / AS9100:2001 registered and committed to continual improvement and customer satisfaction. EDI's 2004 goal is to achieve a 98% or better on-time delivery rate to our customers. In order for us to achieve our objectives, we need the support and commitment of our supply-chain partners to ship quality products on time, every time.

To this end, L-3 EDI has implemented a Supplier Continual Improvement Initiative (SCII - pronounced as sky (skī)). The elements of SCII include:

- Quarterly monitoring and communicating the performance level of our supply-chain partners via Supplier Performance Assessment Report (SPAR),
- Annually evaluating the SPAR criteria and thresholds with an eye towards continual improvement,
- Establishing supplier partnerships, via L-3 EDI's Certified Supplier Program, with suppliers who have demonstrated the level of commitment and excellence necessary to be competitive, and the desire to continually improve,
- Working one-on-one with suppliers whose performance is unsatisfactory to develop and execute corrective action plans, and
- Proactively managing our supply-base size based on performance; product, technology and service offerings; and small business objectives.

Supplier Performance Assessment Report

SPAR, which is an element of L-3 EDI's SCII, is designed to provide objective data regarding key supplier performance indicators on a consistent basis. Each shipment of a production item (non-production items such as MRO items are excluded) received and processed by L-3 EDI is worth 100 points. Points are deducted based on the criteria shown in Table 1.

L-3 EDI Supplier Quality provides a quarterly SPAR to suppliers which have had a production item receipt processed by L-3 EDI during the previous twelve (12) month reporting period. Supplier's should expect to receive a SPAR approximately one (1) month following EDI's fiscal quarter.

For 2004, L-3 EDI's fiscal quarters are shown below:

2004 Quarter	Start Date	End Date
1	January 01	March 26
2	March 29	June 25
3	June 28	September 24
4	September 27	December 31



communications

Electrodynamics, Inc.

The SPAR ratings for the prior rolling twelve (12) month reporting period are calculated as follows:

$$\text{Total Points Received} / \text{Total Points Possible} = \text{Average Points}$$

$$\text{Average Points} \times 100 = \text{Average Percent}$$

Based on the Average Points a Rating and Grade is assigned based on Table 2.

Table 1. Shipment Rating System

Category	2003		2004	
	Criteria	Points per Shipment	Criteria	Points per Shipment
Shipment/Receipt		+100		+100
Quality				
<i>Rejects¹</i>		-50		-50
CAR Responsiveness	> 30 Days From Issuance	-50	> 30 Days From Issuance	-50
Delivery				
<i>Partial/Over Shipments</i>	Variance to Quantity Ordered	NA ²	Variance to Quantity Ordered	NA ²
<i>Early³</i>	> 5 Days	-0	> 5 Days	-15
<i>Late²</i>	> 2 Days	-15	> 2 Days	-15
	> 10 Days	-30	> 5 Days	-30
	> 20 Days	-50	> 10 Days	-50

¹ Includes any supplier-responsible rejects identified during the incoming inspection, manufacturing, or customer returns processes. Rejects are posted in the reporting period in which they are identified. A reject is defined as – an unauthorized variance from Purchase Order requirements. This includes such rejects as the product being out-of-tolerance, lack of a Certificate of Conformance when specified, etc. At EDI's Supplier Quality Manager's discretion, rejects authorized in writing by L-3 EDI prior to being received typically will be excluded.

² Partial shipments and over-shipments are monitored by EDI's Supplier Quality Manager. At the discretion of Supplier Quality Manager's points may be deducted based on adverse trends.

³ Delivery performance is measured against the original date that was agreed upon when the Purchase Order was initially placed and which is shown in the 'Delivery Date' column on the PO. The supplier and EDI's Buyer must agree in writing to any subsequent delivery date changes.



Table 2. Supplier Performance Assessment Rating System

2003		Grade	2004	
Rating	Avg %		Rating	Avg %
Excellent (2003 Goal)	98-100	A+	Excellent (2004 Goal)	98-100
Average	96-97	A	Average	96-97
	93-95	A-		93-95
	90-92	B+	Poor	91-92
	88-89	B		89-90
	85-87	B-		87-88
Poor	82-84	C+		85-86
	80-81	C		83-84
	78-79	C-	81-82	
	75-77	D+	79-80	
	73-74	D	77-78	
Potential Disapproval	70-72	D-	Potential Disapproval	75-76
	<70	F		< 75

The 2004 goal for is 98.0.

Suppliers with a rating of Poor or below are in jeopardy of being disapproved from L-3 EDI's Approved Supplier List. They should contact the Manager of Supplier Quality and discuss plans for immediate improvement. Improvement plans should contain both short term and long term Corrective / Preventive Plans. Upon submittal, these plans will be reviewed and approved by L-3 EDI.



communications

Electrodynamics, Inc.

Suppliers wishing to attest their ratings for the latest quarter shall do so within four (4) weeks of the SPAR date of issuance. Ratings attested after four (4) weeks have transpired may be corrected at the discretion of L-3 EDI's Manager of Supplier Quality.

Questions or requests for a detailed SPAR report should be directed to:

Lou Pacini
Manager of Supplier Quality & S.B.L.O.
L-3 Communications
Electrodynamics, Inc.
1200 Hicks Road
Rolling Meadows, IL 60008
Telephone: 847-660-1850
Fax: 847-660-1851
Email: louis.s.pacini@L-3com.com