



Consignment Inventory Control Procedure

Purpose:	To outline the frequency, steps, expectations and outcomes of the inventory process.
Frequency:	Counts are performed quarterly. Distributors with acceptable inventory reconciliations will be allowed to conduct counts once every 4 months instead of once every 3 months.
Due Dates:	Inventory is due on the 10 th day of the month scheduled. If the 10 th falls on a weekend or holiday, then the counts are due the next business day after the 10 th .
Steps:	<ol style="list-style-type: none">1. Biocomposites will forward an email notice on or around the first business day of the month the count is to be conducted.2. The distributor notifies Biocomposites when they are beginning the count process. Biocomposites will email the distributor a current inventory count sheet.3. The distributor will write on-hand quantities on the line provided for each lot number. If there is a lot number on-hand that is not listed on the sheet, write it in the appropriate section. Fill in quantities for all products in house and in the possession of reps. This includes any distributor inventory at hospitals. Do not count inventory that hospitals have purchased. Counts should include recently used inventory that case paperwork has not been submitted to Biocomposites yet.4. If counts are not completed and submitted by the 10th of the month, a reminder email will be sent by Biocomposites, giving approximately 10 days to complete the inventory counts.5. Once counts are submitted, Biocomposites will reconcile the inventory and provide documentation for inventory with variances for the distributor to investigate.6. If the distributor finds missing inventory or case paperwork, Biocomposites will correct the counts.
Results:	If the distributor fails to supply corrections to the reconciliation by the 18 th of the month following the inventory count, shortages will be considered final and

will be charged back to the distributor and deducted from the pending commission payment. Charge backs will be at 60% off of the Biocomposites current list price for the missing items. If inventory or case paperwork is located after the charge back and deduction from commission, Biocomposites will reverse the charge back and pay any commission due with the next commission payment.

- Expiring Product: After the inventory reconciliation has been completed, Biocomposites will supply the distributor with a list of inventory that the distributor has that will expire within the next 6 months. Inventory on this list should be used in the next cases or returned to Biocomposites. Any inventory returned with less than 3 full months until expiration will be charged back to the distributor at 60% off of the current list price.
- Inventory Turns: Periodically, inventory levels will be monitored. Biocomposites requires a minimum of 4 inventory turns per year. Biocomposites will work with the distributor to bring inventory levels in line with the minimum 4 turn rule.