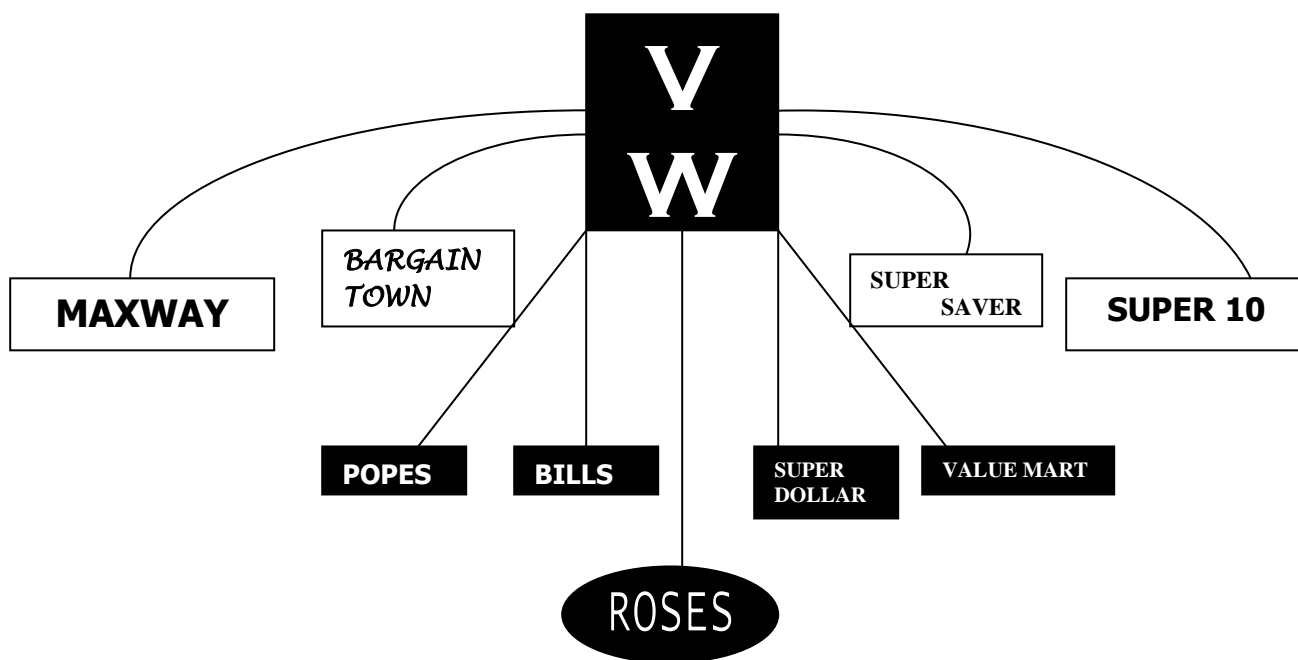


VARIETY WHOLESALERS, INC.

ROUTING, SHIPPING, & PACKAGING INSTRUCTIONS

JULY 1, 2009



VARIETY WHOLESALERS, INC.
1000 FACET ROAD
P.O. BOX 947
HENDERSON, NC 27536

ROUTING, SHIPPING, AND PACKAGING INSTRUCTIONS

PART I: INTRODUCTION

PURPOSE

To provide instructions for handling carrier freight.

APPLIES TO

All Variety Wholesalers, Inc., Vendors and Distribution Centers.

PROCEDURE

In order to minimize receiving and handling costs, while reducing the delay in the receipt of merchandise delivered to Variety Wholesalers, Inc., a vendor compliance program has been established. These requirements surpass all other routing, shipping, and packaging instructions issued by Variety Wholesalers, Inc. unless specific instructions are noted on the Purchase Order.

Variety Wholesalers, Inc. currently has one main Distribution Center.

Variety Wholesalers Distribution Center (**9001**)
1000 Facet Road
P.O. Box 947
Henderson, NC 27536
Telephone: (252) 430-2600

Any cartons mis-shipped to the DC will result in a charge back to the vendor/shipper for handling and transportation charges. See Part VI, Non-Compliance Charges.

Periodically, we may use satellite facilities in support of our DC. One of Variety Wholesalers satellite facility is listed below. Information regarding any other satellite facility will be provided as needed.

Variety Wholesalers Distribution Center (**9006**)
1000 Facet Road
P.O. Box 947
Henderson, NC 27536
Telephone: (252) 430-2600

PART II: COLLECT PURCHASE ORDERS

ROUTING PROCEDURES

Vendors receiving Collect Purchase Orders may call, fax, or email the Variety Wholesalers Traffic Coordinators not before two (2) weeks prior to the product ready date or the ship date shown on the Purchase Order and before the cancel dates of Purchase Order. Variety Wholesalers Traffic Coordinators can be reached at:

Variety Wholesaler's Routing Clerks
Telephone: (252) 430-2466, (252) 430-2470
Fax: (252) 438-4584
Email: routing@vwstores.com

- A. The following information must be provided:
1. Name of Vendor and Shipper.
 2. Complete street address and zip code of actual pick-up point.
 3. Name of contact person and telephone number at pick-up location.
 4. Total number of cartons, pallets, and weight of shipment by purchase order.
 5. National Motor Freight Classification Number (NFMC number and class).
 6. Total cubic feet or total pallets (whether or not double stackable) of the shipment.
 7. Variety Wholesalers' Purchase Order Number and Department Number.
 8. Date goods are actually ready to ship.
- B. All California Vendors are required to pay 1/2 the freight charges on all loads from California. Unless otherwise approved by the buyer.
- C. When two or more purchase orders, to the same location, have the same or overlapping ship/cancel dates (ships within one week of each other), they are to be combined and shipped on a single bill of lading. If a vendor ships more than one LTL shipment to the same location within five working days, a charge back will be written for all of the LTL shipments except the first one.
- D. Back orders are not accepted unless purchase order is marked authorizing back order. All other purchase orders must be shipped complete. Failure to do so will result in a vendor being assessed a \$250.00 flat handling and processing charge, plus the full freight cost on the second shipment.
- E. In the event that merchandise is not shipped complete, the vendor should call in the information to the Traffic Coordinators at the telephone numbers listed above. One of the reasons listed below should be used as to why the order was not shipped complete:
- a. Manufacture Back Order
 - b. Product Recall
 - c. Product Not Available
 - d. Carrier Not Available
 - e. Product Overflow (product would not fit on trailer)
- F. All purchase orders that are called in for routing after the cancel date will have to be approved by the buyer before it can be routed. A late purchase order is subject to cancellation by the buyer.
- G. All vendors are required to load and count the merchandise on the carrier's trailers. Failure to comply will result in charge backs to the vendor. Charge backs will be assessed in the amount of:
- \$100.00 for up to 500 cartons
 \$150.00 for 501 cartons to 700 cartons
 \$200.00 for 701 cartons to 1000 cartons
 \$50.00 increments for every 200 cartons thereafter
- H. The following is the required information for vendor's bill-of-lading and carriers freight bills:
- a. Shipper's name, street address, city, state, and zip code.
 - b. Consignee's name, street address, city, state, and zip code.
 - c. Variety Wholesalers' purchase order numbers and department number or sku number.

- d. Accurate description of items, including freight classification (i.e. Class 70), SKU numbers, and number of cartons being shipped.
 - e. Total number of cartons and total weight.
 - f. Bill of Lading date (ship date).
 - g. Freight terms: prepaid or collect.
 - h. Carrier name, trailer number, and PRO number on LTL shipments.
 - i. Driver's signature on Bill Of Lading.
 - j. Copy of Packing List attached to paperwork.
- I. Do not use any LTL carriers other than the carriers listed on page 5 without prior approval from Variety Wholesalers' Traffic Manager.
 - J. Risk of Loss: The risk of any damage, destruction, or loss of goods remains with the vendor until the goods are delivered to Buyer's premises in good condition.
 - K. If the product to be shipped is not prepared and ready to load at the time of the carrier's scheduled pickup, any resulting charges for delay billed to Variety Wholesalers' Stores by the carrier will be charged against the shipper/vendor plus an additional \$250 special processing fee.
 - L. If a driver is held up longer than time is allowed for loading, the vendor will be charged the carrier's detention charge plus a \$250.00 handling fee.
 - M. Failure to follow the aforementioned procedures may result in Variety Wholesalers assessing a chargeback to the vendor for all freight charges , and assessorial charges that are applied, plus \$250.00 handling charge.**

LESS THAN TRUCKLOAD (LTL) SHIPMENTS:

Shipment Criteria: Under 6,000 lbs, under 1000 cubic feet, under 6 pallets

- A. We have made satisfactory arrangements with certain LTL carriers for pickup. Please verify with the carrier that your city and state is a **direct point for carrier pickup.**

***NOTE: Variety Wholesalers does not pay for samples or transportation cost associated with samples.**

- 1. **Within 24 hours of tendering a shipment to a LTL carrier, the vendor is required to call, fax, or email in the following "shipped information" to the Traffic Department: Vendor Name, City, State, Variety Wholesalers Purchase Order Number, Cartons, Weight, Carrier, Pro Number.**
 - 2. **When vendors shipping freight collect shipments via Variety approved LTL carriers determine that the LTL carrier assigned does not service the pick up point direct, please contact the traffic department at (252) 430-2466 or (252) 430-2470 and notify us of that fact and request special routing instructions.**
- B. **All Prepaid or Collect LTL shipments from New Jersey and New York metro are to be shipped prepaid to the consolidator. Our current consolidator is located in South Kearny, New Jersey 07032. The telephone number is (201) 434-4444. You must call Amstar Industries 24 hours prior to delivery. (LTL shipments 6000lbs/6 pallets or less)**

1. When two or more purchase orders, to the same location, have the same overlapping ship / cancel dates (ship within 5 working days of each other), they are to be combined and shipped on a single bill of lading. Failure to do so will result in assessment of \$250 per PO flat charge plus full freight cost on all shipments other than the first.

C. Collect (LTL) shipments:

LTL Shipments that are **10 cartons and 200 lbs or less** and meet other FEDEX GROUND guidelines should be shipped by FEDEX GROUND. Freight charges for FEDEX GROUND shipments should be Collect if the buyers purchase order is written "collect." If the LTL shipment is more than 10 cartons and 200 lbs and does not meet FEDEX GROUND guidelines, use one of the pre-approved LTL carriers from your origin or state. (EDI Routing Instructions)

The following are phone numbers for the preferred carrier list for EDI vendors:

- Estes Express (866) 378-3748
- Southeastern Freight (See Service Center near your location)
- A.Duie Pyle (800-409-3489)
- FedEx Ground (800) 762-3725
- Dayton Freight (800-860-6400)

All vendors shipping freight collect to A. Duie Pyle please consign the Bill Of Lading to:

Variety Wholesaler, Inc.
% A. Duie Pyle
3622 Mia Brae Dr.
Morgan Industrial Park
York, Pa. 17406

All vendors shipping freight collect to Dayton Freight Lines please consign the Bill Of Lading to:

Variety Wholesalers, Inc.
% Dayton Freight Lines
6265 Executive Blvd.
Dayton, Ohio 45424

- D. If collect shipments are greater than 6,000lbs please call your routing clerk at (252) 430-2466 or (252) 430-2470 for shipping instructions.

PART III: DOMESTIC PORT SHIPMENTS

Collect shipments purchased POE (port of entry) must arrive at these ports according to the Variety Wholesalers destination.

- Wilmington, NC
- Charlotte, NC
- Norfolk, VA

Vendor Instructions:

Vendors will notify Variety Wholesalers Traffic Coordinators by phone, fax, or email of cargo arrival due dates when the shipment has arrived from the foreign port. The arrival notice should come as a "delivery appointment request" and should contain the following information:

1. Purchase Order number(s)
2. Cartons per container load

3. Container number
4. Steamship line and estimated arrival date and time (ETA)
5. Request for delivery appointment date and time
6. Request for carrier assignment for collect shipments
7. Expiration of free time

The delivery appointment request should also contain the name, telephone number, fax number, and email address of the person requesting the appointment. An appointment will be set and the person requesting the appointment will be notified within two (2) business days. Variety Wholesalers will, to the best of their ability, make the delivery appointment within that free time. If an appointment cannot be given within the free time, the vendor is responsible for all per diem, detention, and demurrage charges. The vendor is responsible for notifying the Traffic Coordinators of any ETA delays. The vendor or their assigned broker must communicate the delivery appointment time and date to the carrier. A delivery order or copy of the Bill of Lading must be given to the carrier to deliver with the shipment.

Any vendors who ship collect and do not follow the prior instructions will be subject to charge backs for the full freight charges incurred by Variety Wholesalers, plus \$250 of the additional charges as an administration charge.

PART IV: PREPAID PURCHASE ORDERS

PREPAID VENDOR INSTRUCTIONS

1. Vendors/shippers or carriers receiving a Prepaid Purchase Order, requiring a trailer load shipment, shall call, fax, or email the Appointment Clerk for a pre-set delivery appointment as soon as possible.
2. Vendors are never authorized to Prepaid shipments and add freight cost to invoice. Variety does not allow Prepaid Freight to be added to an invoice.
 - A. To receive or confirm a delivery appointment, the vendor/shipper or carrier should call, fax, or email the appointment desk at the destination specified on the purchase order and provide the information contained on the attached form to the corresponding Variety Wholesaler delivery address and telephone number listed below:

Variety Wholesalers, Inc.
1000 Facet Road
Henderson, NC 27536
Telephone: (252) 430-2503
Email: appointments@vwstores.com

*The following is the information that needs to be provided when scheduling a delivery appointment:

1. Purchase Order Number(s)
2. Number of Cartons and Skids (Pallets)
3. Carrier Name
4. Trailer Number
5. Contact Person and Telephone Number or Email Address

- B. Variety Wholesalers shall provide the vendor/carrier with a pre-set delivery appointment within two (2) business days of the request.
- C. The vendor/shipper shall fax or email the carrier's name, trailer number, and Variety Wholesalers Purchase Order Number for each delivery "confirmation" to the appropriate destination no later than 24 hours prior to the scheduled appointment. Telephone numbers or email addresses are on the preceding pages.
- D. The following is the required information for vendor's bill of lading and carriers freight bills:
1. Appointment confirmation numbers must show on the carrier's freight bill.
 2. Shipper's name, street address, city, state, and zip code.
 3. Consignee's name, street address, city, state, and zip code.
 4. Variety Wholesalers purchase order number and department number or sku number.
 5. Accurate description of the item and SKU number and number of cartons being shipped.
 6. Total number of cartons and total weight.
 7. Bill of Lading date (ship date).
 8. Freight terms, carrier name, trailer number, and PRO number for LTL shipments.
 9. Driver's signature with date and carton count.
 10. Copy of Packing List attached to paperwork.
- E. For more efficient handling of your freight, Prepaid vendors should consider using the carrier listed on the Purchase Order or if not listed on the Purchase Order then use one of our preferred LTL carriers (i.e. Yellow Freight, Overnite Transportation, Southeastern Freight Lines).
1. **Within 24 hours of tendering a shipment to a LTL carrier, the vendor is required to call, fax, or email in the following "shipped information" to the Traffic Department: Vendor Name, City, State, Variety Wholesalers Purchase Order Number, Carrier, and Pro Number.**

Traffic Fax: (252) 438-4584
Traffic Phone: (252) 430-2466
(252) 430-2470
Traffic Email: routing@vwstores.com
- F. Variety Wholesalers will not be responsible for any additional charges on prepaid or collect shipments, including, but not limited to: a.) detention or demurrage, b.) sorting and segregating, c.) notification charges, and d.) unloading.

PREPAID VENDOR'S CARRIER INSTRUCTIONS

Should an accident, inclement weather or road construction cause delays, the carrier shall immediately notify the Variety Wholesalers Appointment Clerk listed on the Purchase Order. The carrier must provide details of the delay and the approximate time of the delivery. Based on this information, the Variety Wholesalers Receiving Department shall make the determination to reschedule the appointment or work the trailer into that day's schedule.

Appointment Clerk

Telephone: (252) 430-2503

- A. All trailers, including leased trailers, must be clearly marked with the carrier's name. The carrier's name should be indicated on the nose, sides, and rear of the trailer.
- B. Inbound freight to Variety Wholesalers shall be "Driver Unload." Variety Wholesalers will make every attempt to unload palletized, single item shipments without carrier/driver assistance. However, the vendor's failure to follow our shipping, packaging instructions may result in the driver having to assist in the unloading process. Vendor noncompliance could include, but is not limited to, over hang pallets, bad pallets, mixed freight.
- C. Each carrier's driver shall count and sign for the correct number of shipping units as specified on the Bill of Lading and Packing List. An independent unloading service is available at carrier request only. Variety Wholesalers will in no way require a driver to use this service.
- D. Any carrier missing their pre-scheduled delivery appointment shall have to hold the freight, at the carriers or vendors expense, until a new delivery appointment can be given.
- E. Pallet Exchange
 - 1. Only good (grade A) 40 x 48 four-way pallets will be accepted.
 - 2. If goods are on an unacceptable pallet, the carrier will have the responsibility for off-loading the merchandise onto an acceptable pallet provided by Variety Wholesalers. Any expenses incurred by the carrier or Variety Wholesalers will be charged to shipper.
 - 3. Pallet exchange must occur at delivery. The driver cannot come back "later" to pick up pallets unless the vendor is approved to participate in our pallet exchange program.
 - 4. The driver must sign the Bill of Lading indicating the pallets were returned on the trailer.

PART V: SHIPPING / PACKAGING INSTRUCTIONS

PACKAGING SPECIFICATIONS

Due to the conveyor shipping system utilized by Variety Wholesalers, Variety Wholesalers must insist on the following:

- A. Each like item to be shipped shall be packed in the same size case, box, or carton.
- B. The exterior packaging shall be of sufficient strength to withstand the stress and pressure exerted by the weight of the contents of each package thus, preventing damage to the contents of each package during shipment and subsequent delivery to Variety Wholesalers. Crushed cartons cannot be processed through the conveyor system.
- C. Flaps shall be taped or glued to keep the cartons tightly closed. When straps are used, they shall be tightly secured. Sharp edges are not to be exposed on metal tabs securing these straps.
- D. Case, box, or carton dimensions shall be as follows whenever possible:

<u>Dimensions</u>	<u>Minimum</u>	<u>Maximum</u>
Length	9 ins	40 ins

Width	9 ins	24 ins
Height	3 ins	30 ins
Weight	3 lbs	50 lbs

- E. The Variety Wholesalers Purchase Order Number, Department Number, Vendor Style Number, and Variety Wholesalers SKU shall be clearly placed, stamped, or printed on each box, carton, or case. The letters and numbers shall be a minimum of 1/2 inch in height and in bold type.
- F. For all new skus being shipped for the first time to Variety Wholesalers, the vendor is required to fax to 252-430-2404 attn: Receiving Department or email to appointments@vwstores.com the cube (weight, length, height, and width) of the unit, inner pack (if case has an inner) and the case for every sku. If goods are shipped on pallets, the pallet configuration (pallet size, cartons per layer and layers per pallet) should also be included. Failure to do so will result in a \$50 per sku handling charge.
- G. Failure to comply with these procedures shall result in Variety Wholesalers assessing the vendor handling charges.

PALLETIZED OR SLIP SHEET LOAD SPECIFICATIONS

- A. Variety Wholesalers has a pallet exchange program for vendors/shippers with a heavy volume of shipments to Variety Wholesalers. Pallet exchange must be arranged before the shipment moves. For additional information, the point of contact is the Receiving Manager in Henderson, NC at (252) 430-2127.
- B. Pallets used by the vendor/shipper to ship merchandise to Variety Wholesalers shall conform to the following specifications:
 1. All pallets used shall be, at the minimum, a grade A GMA four-way pallet in good condition and measuring 48" (long) x 40" (wide).
 2. Each pallet shall have three single stringers (runners). One stringer shall be on each side and one in the center running the length of the pallet.
 3. The pallet shall not have any missing, broken, or split boards. Each pallet shall have five boards in good condition securely fastened on bottom and seven boards in good condition securely fastened on the top.
 4. Each pallet shall present a clean appearance with no dirt, grease, or other foreign material on it.
 5. To avoid any confusion, Variety Wholesalers recommends the use of Chep.
 6. Merchandise stacked on pallets or slip-sheets shall be stacked in a manner that maximizes the trailer cube, but does not damage the product or crush the master case.
 7. Pallets or slip-sheets shall not exceed a maximum weight of 2,000 lbs (908 kilograms). In order to maximize trailer or container space two pallets may be stacked on top of

each other; however, the vendor/shipper shall be liable for any damage to the merchandise shipped to Variety Wholesalers in this configuration.

8. The vendor/shipper shall use the same tie to stack the same (item/sku) merchandise on all pallets sent. Also, the merchandise shall be stacked on a pallet in such a manner as not to overhang any edge of the pallet.
9. All pallets shall be taped, strapped, or shrink-wrapped to prevent the merchandise from shifting during transit.
10. Pallets shall be placed pin-wheel (one lengthwise and one side ways) in the trailer and proper blocking and bracing should be used to assure merchandise is delivered without damage.
11. The vendor/shipper shall ensure that the last pallet loaded shall have a freight bill and/or packing list and it is facing the door of the trailer. Copy of Packing List should be attached to paperwork. Vendors not on "Pallet Exchange" are required to take pallets back at time of delivery or forfeit the pallets.
12. Failure to follow the above procedures shall result in Variety Wholesalers assessing the vendor a handling charge.

SHIPPING AND RECEIVING REQUIREMENTS

- A. To expedite the unloading time at Variety Wholesalers, the following guidelines shall be followed. Failure to follow these guidelines will cause longer unloading time and shall result in Variety Wholesalers assessing a charge back to the vendor as specified.
- B. Variety Wholesalers Purchase Order Number and SKU number shall be shown on the Bill of Lading and the Packing List. Failure of the vendor/shipper to comply shall result in the vendor being assessed a flat rate charges.
- C. It is the vendor's responsibility to review the purchase orders prior to shipping, for any changes that are necessary. This would include, but not limited to, changes in units ordered, costs, freight terms, payment terms, items ordered. Any changes or corrections that need to be made to any purchase order, it is the vendor's responsibility to contact the Buyer prior to shipping for the Buyer's approval of the change.

In regards to any overages or substitutions received at the Distribution Center without prior Buyer approval, they will be handled as follows:

1. Overages received at the Distribution Center less than \$2,500 at retail will be kept and the vendor will not be paid for this.
2. Overages exceeding \$2,500 at retail will be communicated to the Buyer for return instructions. The vendor will be given 10 business days to notify Buyer of their agreement with handling of the overage. If the vendor has not arranged for pickup of the merchandise, if the Buyer determines that it is to be returned, within 21 days the goods will be retained and the vendor will not be paid.

- D. All merchandise shall be shipped in the packs and assortments (size and color) of the Style Number specified on the Variety Wholesalers Purchase Order. Only one style number shall be shipped per box, case, or carton. All cartons of one style number in a shipment shall be packed in the same size box, case, or carton. Failure of the vendor/shipper to comply shall result in the goods being returned at the vendor/shipper's expense in addition to handling charges being assessed. If not returned, the vendor/shipper shall be assessed handling and storage charges for the repacking of the goods by Variety Wholesalers.
- E. All Variety Wholesalers Purchase Orders shall be shipped on or after the Ship Date, but prior to the Cancel Date. Vendors shipping collect shipments via Variety Wholesalers' Carriers will be considered shipped if the vendor has the goods ready and has notified Variety Wholesalers' Traffic Department for a pickup. All orders shipped outside the specified shipping period shall be subject to being returned at the vendor/shipper's expense plus a \$250 handling charge and the cost of the inbound freight.
- F. Merchandise shipped shall be the same as the approved samples. Failure of the vendor/shipper to comply shall result in the merchandise being returned at the vendor's expense. The vendor/shipper shall be assessed handling charges.
- G. When merchandise is to be returned to the vendor, Variety Wholesalers will request an authorization number. After the third day of storage awaiting the authorization number for the return, a storage fee of \$100 or \$1.25 per pallet, per day, per storage location, will be charged to the vendor, which ever is greater.
- H. The style number stamped or printed (1/2 inch minimum height) on the outside of the box, case, or carton shall match the contents of the box, case, or carton. All merchandise shipped with incorrect identification shall be processed at the discretion of Variety Wholesalers. If the merchandise is returned, the vendor/shipper shall be assessed handling charges.
- I. We prefer one Variety Wholesalers SKU Number to be shipped per pallet. When this is not feasible, multiple styles are to be stacked accordingly. The vendor/shipper shall group the merchandise by style (SKU) number and separate each style (SKU) by plastic or paper on the pallet. Failure to comply shall result in the vendor/shipper being assessed handling charges.
- J. Pallet tags (Labels) for pallets with only one SKU number are acceptable. The cases must be shrink wrapped on the pallet; then, the pallet tag secured to the shrink-wrap. The pallet tag must have the Variety Wholesalers Purchase Order Number, number of cartons per pallet, and the Variety Wholesalers SKU Number.
- K. When a trailer is floor stacked by a vendor/shipper the boxes, cases, or cartons shall be pre-sorted by Variety Wholesalers Purchase Order Number and Variety Wholesalers SKU Number found on the Purchase Order. The side of the box, case, or carton with the style number on it must face the rear of the trailer (door). Attached to the last case loaded and facing the trailer door must be a packing list containing the number of cases of each different item shipped. Failure to comply will result in handling charges being assessed against the vendor/shipper.
- L. Vendors/shippers are required to make sure the merchandise is properly shrink wrapped or taped and also blocked and braced prior to the carrier leaving the pick up facility. Failure to comply will result in the dollar amount of damages being charged back to the vendor or any additional cost incurred by Variety Wholesalers.

- M. All Bill of Ladings and Delivery Receipts must be written showing carton count. All company truck shipments and/or collect Common Carrier shipments must be marked on the Bill of Lading as shipper load and count (SLC). The seal# must also be recorded and applied by the shipper. Company truck drivers and/or Truck Load Common Carrier truck drivers are NOT required to load or count cartons/pallets. It is the shipper's responsibility to load and count all freight.
- N. A copy of the driver's signed Bill of Lading showing the number of boxes, cases, or cartons in the shipment must be attached to the delivery receipt for that shipment. Vendors/shippers must request the carrier to attach the Bill of Lading to the Delivery Receipt. It is also requested that the delivery appointment date, time, and confirmation number be placed on the bill if you are provided with this information by Variety Wholesalers. Copy of Packing List should be attached to all paperwork. Failure of the driver to present this item will result in the vendor/shipper being assessed handling charges. Bill of Lading procedures can be found in "Routing Procedure," Section 2G.
- O. Inbound freight to Variety Wholesalers must be "Driver Unload." Variety Wholesalers will make every attempt to unload palletized, single item shipments without carrier/driver assistance. However, the vendor's failure to follow our shipping, packaging instructions may result in the driver having to assist in the unloading process. Vendor non-compliance could include, but is not limited to, over hang on pallets, bad pallets, and mixed freight.
- P. The following attire is not permitted in our distribution center. Please make every effort to adhere to our dress code policy.
- No short shorts/cut off shorts
 - No halter tops/midriff shirts
 - No profane or sexually oriented lettering on clothing
 - No open toe shoes

PART VI: NON-COMPLIANCE CHARGES

CHARGES FOR VIOLATIONS

Variety Wholesalers shall assess the following penalties and charges to vendors/shippers who fail to comply with the routing, shipping, and packaging instructions contained within this document.

1. All handling charges shall be at a rate of \$75.00 per hour, plus a 10% (total cost value of the item in question) administration charge.
2. Early shipments increase our distribution center cost for handling the merchandise. These costs are difficult to determine in individual cases. In light of this, the following charges will be assessed and deducted from merchandise invoice payments:

These are the conditions we will use to determine liquidated damages for early shipments:

- a) There will be one week grace period prior to the ship date.

- b) There will be a charge of \$100 or 2% of cost (whichever is greater) if the purchase order(s) is shipped 8 to 21 days prior to its ship date.

Ex: If PO# is shipped between 8-1-05 and 8-13-05, and its ship date was 8-21-05, there will be a charge of \$100 or 2% of cost, (whichever is greater).

- c) There will be a charge of 4% of cost, if the purchase order(s) has been shipped earlier than 22 days prior to its ship date.

Ex: If PO# is shipped 7-31-05 or earlier, and its ship date was 8-21-05, there will be a charge of 4% of cost.

- d) If a purchase order is charged for early shipment, the payment terms will begin at the purchase order regular ship date as the purchase order states, not the date the merchandise was received in the warehouse.

3. Repack and all other labor charges shall be billed at a rate of \$75.00 per hour, plus supplies and a 10% (value of the item to be worked) administration charge.
4. All flat rate charges shall be billed at a rate of \$250.00 per charge.
5. Any vendor using bad pallets to ship merchandise, will be assessed at the following rates for each pallet of merchandise we have to transfer to another pallet:
- a) The first offense will result in a letter to the vendor advising them of the problem with the pallets received. A copy of the charge backlist will be sent.
 - b) The second and third offense will result in a \$10.00 charge back per bad pallet.
 - c) Additional offenses will result in a \$20.00 charge back per bad pallet.
 - d) In addition, a 10% (per pallet) administrative charge will be charged. In each case, a letter will be mailed to the vendor stating the reason for the charge back.
 - e) All charge backs are subject to a 10% administrative fee.
6. Merchandise shipped to the wrong location will result in the vendor being charged:
- Handling charges of \$75.00 per hour + 10% administration charge.
 - Inbound transportation cost (if a collect shipment).
 - Outbound (transferring to correct location) transportation cost, whether prepaid or collect.
7. If the vendor ships more than one LTL shipment to the same location within five working days, a charge back will be written for the total transportation cost for the second LTL shipment plus a \$250 handling charge for not combining the shipments.
8. If a product to be shipped is not prepared and ready to load at the time of the carriers scheduled pick up, any resulting charges for delay billed to Variety Wholesalers by the carrier or incurred by

Variety Wholesalers private fleet will be charged back against the shipper plus a \$250 handling charge.

9. Vendors are required to ship purchase orders complete unless the purchase order is marked by the buyer authorizing backorders. In the event of a vendor shipping a backorder that is NOT approved on Collect shipments, a charge back will be issued for the full freight cost of the LTL shipment plus a \$250 special handling fee. Unauthorized backorders on Prepaid shipments, the vendor will be assessed a \$250 special handling fee.
10. Prepaid and add will not be accepted as a freight term. Variety will not pay freight *added to invoice*.