

All vendors are required to comply with each point of the Vendor Standards Manual unless instructed otherwise by our purchase order.

This section includes samples of:

- A service center Vendor Violation Notification Letter which is sent to the vendor calling attention to the chargebacks being applied against their invoice
- Traffic Department Chargeback

Also included are:

- A complete listing of all violations and assessment amounts
  - FOB term definitions
  - Quality control procedures used to inspect for materials, construction and overall cosmetic appearance
  - RTV Trailer Unloading / Detention Charges
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### Vendor Standards Violation Notification

The letter below will be sent to you along with the Freight Inspection Report when a chargeback due to standard non-compliance occurs. All chargeback disputes must be in writing and sent to the service center that initiated the chargeback. **Foot Locker will not research inquiries for receipts over 6 months old.**

| <b>VENDOR STANDARDS VIOLATION NOTIFICATION</b>   |                     |
|--|---------------------|
| Vendor Number: _____   | Date: _____         |
| Vendor Name: _____   |                     |
| Attention: _____   |                     |
| Vendor Address: _____<br>_____<br>_____  |                     |
| Vendor Phone #: _____  | Vendor Fax #: _____ |
| Subject: <b>Vendor Violation Charges</b>   |                     |
| <p>Dear Vendor,</p> <p style="margin-left: 40px;">Please find attached, a summary of chargeable account violations against a recently received order for the week ending ____/____/____. The Accounts Payable Department has been advised to make the deduction from the payment of your invoice.</p> <p style="margin-left: 40px;">Please make note of the specific violations and take steps to avoid them in the future. If you have any questions, please contact your Service Center Vendor Relations representative.</p> |                     |

### Traffic Department Chargeback

This is an example of the notification you will receive from our Traffic Department when routing violations have occurred.

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|--|
| <p style="text-align: center;">FOOT LOCKER</p> <p>DATE:</p> <p>DEBIT MEMO NUMBER:</p> <p>VENDOR NUMBER:</p> <p>VENDOR NAME:</p> <p><b>Attention Accounts Receivable:</b></p> <p>The following deduction is being taken from the enclosed check due to a failure to ship via our routing instructions.</p> <p>Your Account will be charged <b>\$0.00</b> Plus a <b>\$40.00</b> Admin./Proc. Fee.</p> <p>DEDUCTION IS FOR:</p> <p>Shipments tendered on:</p> <p>P.O. Number:</p> <p>Consigned to:</p> <hr/> <p style="text-align: center;"><b>REASON FOR CHARGEBACK</b></p> <p>1)</p> <p>2)</p> <hr/> <p><b>The amount charged equals 100% of the transportation and/or warehouse costs incurred by us. Copies of our paid freight bills are enclosed. Inquires concerning this deduction will be honored for a period of 6 months from the invoice date listed above.</b></p> <hr/> <p>Any inquires or disputes should be advanced by written correspondence to:</p> <p>Foot Locker<br/>Transportation Services/Vendor Compliance<br/>P O Box 2437<br/>Harrisburg, PA 17105</p> |
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# FOOT LOCKER, INC.

## Section 9 – Vendor Compliance Program, Chargebacks and Policies

### Violation Code Policy

With respect to the asterisk (\*) violation codes noted below, per unit charges are not to exceed 25% of cost of unit.

| Code                                       | Violation Description  | Policy   |
|--|--|--|
| <b>Ticketing Violations</b>                |  |  |
| <b>Unit Violations</b>                     |  |  |
| * 100                                      | Barcode height less than 12mm  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 101                                      | Wrong UPC or size on label   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 102                                      | Wrong size or size schedule per the PO   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 103                                      | Wrong retail price   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 104                                      | Wrong ticket location/ticket not visible to be easily scanned                                | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 105                                      | Bar code will not scan   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 106                                      | Bar code scans incorrectly   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 107                                      | Too many barcodes visible/No Master barcode  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 108                                      | No UPC on polybag/Not centered   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 109                                      | Polybag taped on wrong side  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 110                                      | Polybagged unit over maximum dimensions  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 201                                      | No UPC on retail units   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 202                                      | Retail units not ticketed  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 203                                      | Missing/Incorrect Style # or Description   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 204                                      | Missing/Incorrect SKU  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 205                                      | Missing/Incorrect season code  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 206                                      | UPC not on catalog at order entry or receipt > 50 UPC's                                      | \$25 plus \$5.00/UPC                               |
| <b>Caslot Violations</b>                   |  |  |
| 301  | No caselot label on outside of caselot or multi-pack   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| 302  | Caselot label scans incorrectly  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| 303  | Caselot label will not scan  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| 304  | Caselot label placement  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| <b>Carton/Merchandise Problems</b>         |  |  |
| 401  | Missing UCC 128 label  | \$5.00 per carton or \$200.00 whichever is greater |
| * 402                                      | Incorrect UCC 128 label  | \$5.00 per carton or \$200.00 whichever is greater |
| * 403                                      | UCC 128 label scans incorrectly  | \$5.00 per carton or \$200.00 whichever is greater |
| * 404                                      | UCC 128 label will not scan  | \$5.00 per carton or \$200.00 whichever is greater |
| 405  | UCC 128 label missing non-standard case indication   | \$5.00 per carton or \$200.00 whichever is greater |
| 500  | No inserts in case   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 501                                      | Case not sealed with security tape   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 502                                      | Incorrect markings on case   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 503                                      | Undersized cases   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 504                                      | Oversized cases  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 505                                      | Underweight cases  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 506                                      | Overweight cases   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 507                                      | No polybag   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 508                                      | Mixed sizes / POs/ Skus (not noted on case)  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 509                                      | Case sealed with bands / staples/ glue   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| 510  | Bin merchandise on hangers   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 511                                      | Case sealed with inferior tape   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| 512  | Nonstandard units per carton   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 513                                      | Inferior polybag   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| <b>PO Violations/Documentation</b>         |  |  |
| 600  | Incorrect caselots per carton per PO   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| 601  | Shipped over from PO   | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 602                                      | Product substitution (color, style, etc.)  | 5% of Receipt (Not to Exceed \$1,000.00)           |
| * 603                                      | Incorrect pack type per PO (bin, multi, case)  | \$1.00 per Unit (Minimum Charge of \$200.00)       |
| * 604                                      | Missing/Incorrect/Incomplete packing slip  | \$100.00 per Occurrence                            |
| * 605                                      | Incorrect/Incomplete Bill of Lading  | \$200.00 per Occurrence                            |
| 607  | Missing ASN  | \$5.00 per carton or \$200.00 whichever is greater |
| 608  | Incorrect ASN  | \$5.00 per carton or \$200.00 whichever is greater |
| 609  | Manual ASN, not EDI  | \$5.00 per carton or \$200.00 whichever is greater |
| <b>Load Tender / Scheduling Violations</b> |  |  |
| * 701                                      | Late delivery  | \$50.00  |
| * 702                                      | No shows   | \$200.00   |
| * 703                                      | No appointment   | \$200.00   |
| * 704                                      | Reloading of unacceptable POs  | \$350.00   |
| 801  | Palletization without authorization  | \$200.00 per Pallet                                |
| 802  | Trailer not loaded by PO/SKU   | 5% of Receipt (not to exceed \$1,000.00)           |
| 803  | Improper LTL Palletization   | 5% of Receipt (not to exceed \$1,000.00)           |
| <b>Routing Violations – Domestic</b>       |  |  |
| 901  | Unauthorized Carrier / Unauthorized or Incorrect 3 <sup>rd</sup> Party Parcel Account Number | 100 % of Freight Amount                            |
| 902  | Invalid FOB Terms  | 100 % of Freight Amount                            |
| 903  | Ship Frequency   | 100 % of Freight Amount                            |
| 904  | Freight Charges on Merchandise Invoice   | 100 % of Freight Amount                            |
| 905  | Incorrect Destination  | 100 % of Freight Amount                            |
| 906  | Shipments not Combined on Single Bill of Lading  | 100 % of Freight Amount                            |
| 907  | Unauthorized Released Value  | 100 % of Freight Amount                            |

## Section 9 – Vendor Compliance Program, Chargebacks and Policies

| Routing Violations – Domestic continued |   |  |
|---|---|--|
| Code                                    | Violation Description   | Policy   |
| 900                                     | PO not shipped/loaded as instructed via Routing system                    | \$200 plus any extra freight incurred                      |
| 908                                     | Routing Request not forwarded 72 hours prior to shipping                  | \$200.00 per Occurrence                                    |
| * 913                                   | Unauthorized PO shipped (routing never requested for PO)                  | \$5.00 per carton or \$200.00 whichever is greater         |
| * 914                                   | Unacceptable PO shipped (routing for PO denied but shipped anyway)        | \$10.00 per carton or \$200.00 whichever is greater        |
| 915                                     | Incomplete/ Inaccurate Routing Request Form                               | \$200.00 per Occurrence plus any extra freight incurred    |
| 916                                     | Failure to fax copy of BOL  | \$200.00 per Occurrence plus \$100 per each additional day |
| 918                                     | Incomplete/Incorrect shipping information                                 | \$200.00 per Occurrence                                    |
| 921                                     | Product not ready by date listed on Routing Request form (Date Available) | \$200 plus any extra freight incurred                      |

| Violations – International |  |   |
|----------------------------|--|---|
| 909                        | Final documents not complete, correct, or accurate.  | \$100 per occurrence, max of \$500 per set of documents   |
| 910                        | Failure to surrender Original documents to forwarder/ consolidator within the time frame specified in Section 10 of this manual.                     | \$500.00 per occurrence plus any additional charges incurred for delay  |
| 911                        | Original documents received by the broker not the same as authorized by International Trade  | \$500.00 per occurrence plus any additional charges incurred  |
| 912                        | Incorrect mode of transportation, forwarder/ consolidator, or International Freight terms as specified in Section 10 of the vendor standards manual. | 100% of Actual Foot Locker Freight Amount   |
| 917                        | Failure to submit booking within the time specified in Section 10 of the vendor standards manual.  | \$250.00 per occurrence plus any additional charges incurred for delay  |
| 919                        | Minimum loadability not met per section 10 of the vendor standards manual.   | Difference between the minimum acceptable loadability per Section 10 of the VSM and the Foot Locker per CBM rate Multiplied by the per cbm rate |
| 920                        | Failure to surrender final documentation within the time specified in Section 10 of this manual  | \$250.00 per occurrence plus any additional charges incurred for delay  |
| 922                        | Air weight increase from original estimation as outlined in Section 10 of the vendor standards manual.   | Difference in estimated cost and actual   |
| 923                        | Origin (prepaid) charges to the account of the vendor as outlined in Section 10 of the vendor standards manual.                                      | 100% of the actual cost   |
| 924                        | Late ISF Filing/Amendment to ISF Filing  | \$500.00/Filing + \$20.00/transmission+cost mitigating fees   |
| 925                        | Rejection of ISF Filing  | \$500.00/Filing + \$20.00/transmission+cost mitigating fees   |
| 926                        | CPSC Failure   | \$100.00/Violation  |

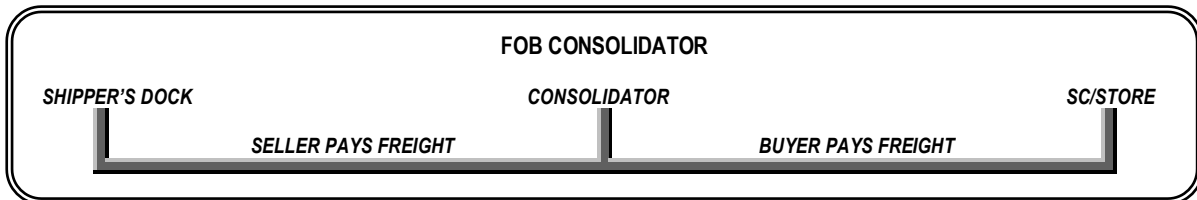
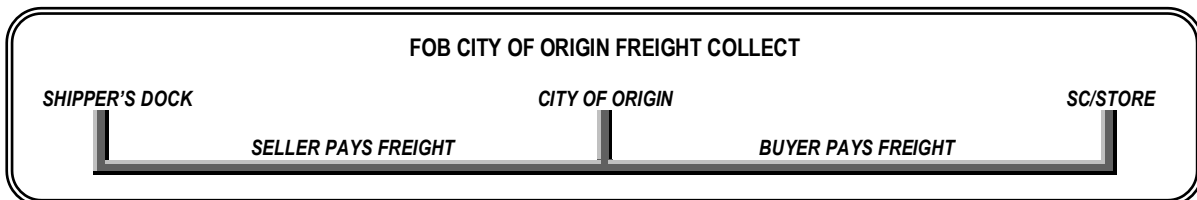
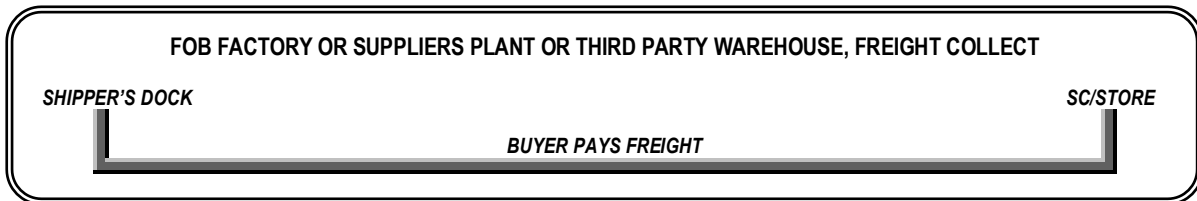
| Penalties Incurred - International |   |   |
|------------------------------------|---|---|
| 927                                | Late ISF Filing                             | \$5,000 minimum-\$10,000 maximum Unless otherwise mitigated   |
| 928                                | Amendment to ISF Filing after vessel lading | \$5,000 minimum-\$10,000 maximum Unless otherwise mitigated   |
| 929                                | Rejection of ISF Filing                     | \$5,000 minimum-\$15,000 maximum: \$5,000-importer \$10,000 carrier pass through-if fault found with vendor; Unless otherwise mitigated |
| 930                                | CPSC Violation                              | 100% Import Value of Goods+all criminal penalties+legal/mitigating fees/Violation   |

**NOTE:** In the category of unit ticketing violations if more than one error is made on an individual ticket you will not incur more than \$1.00 per unit. The \$200.00 minimum charge will not apply to fees assessed at less than a \$1.00 per unit. \$40.00 admin fee will be assessed to routing violations.

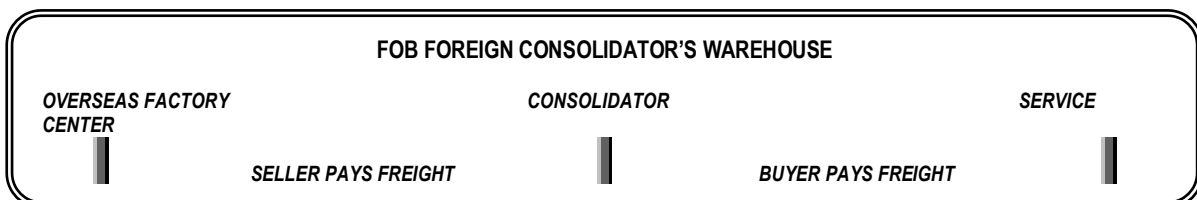
### FOB Terms

Terms of sale directly related to responsibility for loss on goods and freight costs. Listed herein is a brief outline of Foot Locker's most commonly used terms. FOB denotes Free on Board and designates the point at which goods are transferred.

#### Domestic Transportation FOB Terms



#### International Trade FOB Terms



**Transportation Terms:** There are distinct legal terms that allocate the risk of loss between buyers and sellers.

### **Domestic Terms**

The most common domestic terms Foot Locker uses is “FOB” as defined by the Uniform Commercial Code. FOB means Free on Board, and must be used with a named place or point. It sets forth the delivery obligations of the seller and buyer. Once the seller completes its performance, and unless otherwise specifically agreed, title to the goods passes to Foot Locker.

### **International Terms**

Foot Locker uses the Incoterms 2000 “FOB” term. FOB means “Free on Board”, and must be used with a named place or point. It sets forth the delivery obligations of the seller and buyer. Once the seller completes its performance, and unless otherwise specifically agreed, title to the goods passes to Foot Locker.

### **FOB Terms and Example Definitions**

The FOB point is where the title for product passes; the location where ownership and the resulting responsibility for transportation begins/ends.

- Order Type: **Foreign**
  - FOB: **FOB (Foreign Port of Export / Consolidation Agent)** – Vendor is responsible for delivery of goods to the Foreign Port of Export or foreign consolidation agent.
- Order Type: **Landed** (FOB field must state a specific city or point in the US)
  - FOB: **West Coast Consolidator** – Goods coming into the West Coast. Vendor is responsible for Customs clearance and transport to West Coast consolidator.
  - FOB: **East Coast Consolidator** – Goods coming into the East Coast. Vendor is responsible for Customs clearance and transport to East Coast consolidator.
  - FOB: **Kansas City** – Vendor is responsible for Customs clearance and transport to Kansas City.
  - FOB: **Junction City** – Vendor is responsible for Customs clearance and transport to Junction City.
- Order Type: **Domestic**
  - FOB: **Origins (Vendor’s Dock)** – Foot Locker is responsible for all transportation costs from the shipper’s facility to destination.

**Carrier Losses** – Based on the terms FOB Foot Locker dock, if freight is prepaid, vendor is responsible for filing a claim with the carrier. Foot Locker will not take a credit for any merchandise that is involved with a freight claim. If a credit has been taken and a loss is determined, the credit will be reversed.

- Order Type: **Foreign (CANADA)**
  - FOB: **PORT** – Vendor is responsible to clear the goods for export and for delivery to the foreign Forwarder.
  - FOB: **Mexico / and or a specific city in the United States** – Foot Locker is responsible for all transportation costs from vendor's facility and Customs clearance to door Milton.
- Order Type: **Landed (CANADA)**
  - FOB: **Milton** – Vendor is responsible for all transportation to door Milton and Customs clearance.
- Order Type: **Domestic (FOB field must state a specific city in Canada)**
  - FOB: **Vendor's Dock** – Foot Locker is responsible for all transportation costs from vendor's facility to Milton.
  - FOB: **Milton** – Vendor is responsible for all transportation costs from vendor's facility to Milton.

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Any questions regarding these instructions should be directed to:

|                                |   |                        |
|--------------------------------|---|------------------------|
| <b>Foreign orders:</b>         | Foot Locker International Trade Department        | 717-972-5925           |
| <b>Landed/Domestic orders:</b> | Foot Locker Domestic Transportation Department    | 785-761-3462 or -3486  |
| <b>Foreign orders:</b>         | Foot Locker Canada International Trade Department | 905-875-0522 ext: 4243 |
| <b>Landed/Domestic orders:</b> | Foot Locker Canada "Milton Scheduling Desk"       | 905-875-0522 ext: 4236 |



### **Quality Control Procedures**

Samples of all merchandise (existing and new product) are checked as they are received at the service center. This includes footwear, apparel, hard-goods, and accessories.

We inspect for materials, construction and overall cosmetic appearance.

If the merchandise is of inferior quality, the following procedures are exercised:

- The merchandise is put on “quality control hold” and service center management is notified
- The buyer is notified and samples are sent to the buying office upon the buyer’s request
- The vendor is contacted by the buyer to discuss resolution, return authorizations and/or other terms and conditions
- The product is accepted, returned to the vendor, or sent out for repairs as per the agreed upon resolution between the buyer/buying department and the vendor/agent with input from the Quality Control Department

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### **Cancellation Policy**

- All orders are considered cancelled if not shipped by the Ship Complete date
- We will not accept any product beyond the Cancel Date without authorization from the Vice-President of Buying or the Director of Buying

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### **Right to Reject Non-Conforming Merchandise**

Delivery of merchandise which does not conform to the terms of our purchase order as to quality, quantity, assortment, packing, packaging or in any other respect, will be deemed to materially impair the value of the merchandise and constitutes a breach of the terms of our purchase order. We shall have the right to cancel the purchase order and/or reject and return to the vendor, at the vendor’s expense, all or any part of the merchandise. Such returns will not require prior notice to the vendor and the return itself shall be adequate notice of rejection of the merchandise.

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### **Return to Vendor - Trailer Unloading / Detention Charge Policy**

Delivery of returned merchandise to a vendor’s facility or agent when Foot Locker is responsible for the freight charges will be via the carrier of our choice. When the delivery is made as a Trailer Load shipment and the trailer is dropped, the vendor has 3 free days to unload and turn the empty trailer back to the carrier. After 3 days the vendor is liable for any detention charges, which can vary by carrier. If a Trailer Load shipment is scheduled as a “Live Unload”, there is a 2 hour time frame to unload, after which the vendor is liable for any driver and /or trailer detention charges, which can vary by carrier.