

GOODY'S FAMILY CLOTHING, INC.

EXPENSE OFFSET POLICY

Our goal is to minimize distribution center processing and maximize the time our merchandise is on the selling floor. In order to achieve this, we need to be able to cross dock ALL shipments. This is attainable only if shipments are 100% Floor ready and 100% accurate. While we recognize that being human, errors will occur; however, a 100% accurate merchandise shipment should be your goal. Goody's conducts audits on vendor shipments. We compare ship notices or packing slip information with ACTUAL receipts. If shipment integrity or floor ready compliance is an issue, expense offset fees will be assessed.

The purpose is not to chargeback your company, but to receive the merchandise- as ordered- in compliance with our shipping and receiving standards Routing Instructions and guidelines.

EXPENSE OFFSET CHARGES

An expense offset will be assessed for all merchandise not in compliance with our shipping and receiving standards. The purpose is NOT to chargeback your company, but to achieve compliance so we can move merchandise quickly and cost effectively to the selling floor- where everyone benefits!

PACKING EXPENSE OFFSET CHARGES

Offset Code	Compliance Issue	Expense Offset
PE-1	Cartons not taped closed- Secured with bands, straps or string	\$150 per incident or \$5 - \$10 per carton
PE-2	External Cartons larger than L 36" X W 24" X H 30" (50 lbs.). On shoe replenishment cartons, the maximum weight is 40 lbs.	\$150 per incident or \$5 - \$10 per carton
PE-3	External cartons SMALLER than L 12" X W 8" X H 4" (3 lbs.)	\$150 per incident or \$5 - \$10 per carton
PE-4	Unauthorized BULK shipment	\$5 per carton or \$250- whichever is greater
PE-5	More than one PO # in cartons	Refusal & Return To Vendor (Plus Applicable Freight)
PE-6	Merchandise shipped GOH- not flat packed	Refusal & Return To Vendor (Plus Applicable Freight)
PE-7	Broken Sized Bundles/Loose Pieces (Merchandise, although ordered in pre-packs, arrived not in pre-packs.)	Minimum \$250 per line PLUS 5% of Invoice PLUS Goody's retains all non-conforming pieces at NO CHARGE, or "Right To Refuse" all non-conforming merchandise without vendor notification PLUS \$150 up to \$250 per line handling charge, or \$10-\$20 / carton.
PE-8	Improper Pre-Pack (Example- Goody's ordered 6pc packs- Received 12pc packs. Includes- Size range different than what was specifically ordered on the Purchase Order- Example- ordered 1-2-2-1, Vendor shipped 1-3-2, etc.)	Minimum \$250 per line PLUS 5% of Invoice PLUS Goody's retains all non-conforming pieces at NO CHARGE, or "Right To Refuse" all non-conforming merchandise without vendor notification PLUS \$150 up to \$250 per line handling charge, or \$10-\$20 / carton.
PE-9	Improper Masterpack (Example- Goody's was advised that merchandise would arrive packed 4- 6pc pks per carton- and order was packed in a different masterpack quantity.)	Minimum \$250 per line PLUS 5% of Invoice- or "Right To Refuse", or \$10-\$20 / carton.
PE-10	Failure to ship "Consistent Quantity" Pre-Packs and/or Casepacks per Purchase Order Instructions	Minimum \$250 per line PLUS 5% of Invoice- or "Right To Refuse", or \$10-\$20 / carton.
PE-11	Mixed styles in same carton (Non-EDI PO's)	\$250 PLUS 1% of Invoice- or "Right To Refuse"
PE-12	Split Pre-Packs between 2 DC's	\$150 per incident- Odd pieces returned to vendor- at vendor's expense- without notification- or kept at No Charge
PE-13	Incorrect Store Pre-Packs Requiring "Per Carton" Inspection to make certain carton contents agree with actual Purchase Order.	\$10 to \$20 per carton or \$250- whichever is greater
PE-14	Poor Quality Cartons/Packaging	\$5 to \$10 per carton or \$250- whichever is greater

MARKING EXPENSE OFFSET CHARGES

Offset Code	Compliance Issue	Expense Offset
ME-1	No or Wrong PO # on cartons	\$5 per carton or \$150- whichever is greater
ME-2	No or Wrong Department # on cartons	\$5 per carton or \$150- whichever is greater
ME-3	No or Wrong store name on cartons	\$150 per incident
ME-4	Bulk Shipment- NO carton detail	\$5 per carton or \$150- whichever is greater
ME-5	Style # not on merchandise	\$5 per carton or \$150- whichever is greater
ME-6	Multiple UCC-128 Labels on cartons	\$5 to \$10 per carton or \$250- whichever is greater
ME-7	External Carton Markings not readable/incorrect information listed/incorrect location (For Non UCC-128 utilizing vendors)	\$5 per carton or \$150- whichever is greater
ME-8	Vendor shipping cartons/merchandise to Goody's that does not belong to Goody's. (Other company's merchandise)	\$5 per carton or \$150- whichever is greater

RETURN TO VENDOR CHARGES

Offset Code	Compliance Issue	Expense Offset
RTV-1	If Goody's need to return the complete shipment and/or unauthorized substitutions	10% of returned cost of merchandise - or \$150 whichever is greater. PLUS Inbound & Outbound freight charges- or, depending upon the nature of the return, \$250.00 PLUS Inbound/Outbound freight
RTV-2	Damaged and Defective Merchandise	10% of returned cost of merchandise or (minimum of) \$25 whichever is greater. PLUS Inbound & Outbound freight charges- or, depending upon the nature of the return, \$250.00 PLUS Inbound/Outbound freight
RTV-3	Return of Canceled Purchase Order	10% of returned cost of merchandise or (minimum of) \$25 whichever is greater. PLUS Inbound & Outbound freight charges- or, depending upon the nature of the return, \$250.00 PLUS Inbound/Outbound freight

FLOOR READY EXPENSE OFFSET CHARGES

Offset Code	Compliance Issue	Expense Offset
FR-1	No UPC tickets on merchandise	\$250 plus .10 to .25 per unit or "Right To Refuse"
FR-2	No Retail on UPC Tickets	\$250 plus .10 to .25 per unit or "Right To Refuse"
FR-3	Vendor ticketed merchandise with wrong UPC	\$250 plus .10 to .25 per unit or "Right To Refuse"
FR-4	Vendor ticketed Manual PO merchandise with wrong retail	\$250 plus .10 to .25 per unit or "Right To Refuse"
FR-5	UPC tickets affixed improperly	\$100 plus .05 per unit
FR-6	UPC missing human readable data	\$250 plus .10 per unit
FR-7	Ticket format not industry standard	\$100 plus .05 per unit
FR-8	UPC not on catalog at time of order entry / UPC on merchandise not cross-referenced in Goody's PO system	\$250 per incident plus \$5 per UPC key entered
FR-9	UPC catalog requires correction	\$250 per incident plus \$5 per UPC correction
FR-10	Other UPC related problems	Charges assessed per incident
FR-11	Hanger approved merchandise shipped without approved hanger	\$100 plus .25 per unit
FR-12	EDI Merchandise- shipped with No/Unusable ASN- 856	\$10 - \$20 per carton or "Right To Refuse" and in/out freight-where applicable- minimum \$250
FR-13	Late Advance Ship Notice (ASN)—856 (The ASN MUST be transmitted at the time of merchandise shipment.)	\$10 - \$20 per carton or "Right To Refuse" and in/out freight-where applicable
FR-14	Missing UCC-128 label and/or 128 pack data in 856	\$5 - \$10 per carton or "Right To Refuse"
FR-15	UCC-128 bar-code located incorrectly per Goody's Requirements	\$5 - \$10 per carton or "Right To Refuse"
FR-16	UCC-128 format not industry standard/Poor Quality Printing	\$5 - \$10 per carton or "Right To Refuse"
FR-17	Unnecessary packing materials	\$25 plus .05 per unit
FR-18	Merchandise pre-ticketed with Incorrect/Wrong SKU tickets- if non-UPC	\$250 plus .10 - .25 per unit
FR-19	Merchandise arrives with NO tickets	\$250 plus .10 - .25 per unit
FR-20	Bad UCC-128 label requires hand-keying of numbers	\$10 - \$20 per carton
FR-21	Carton Labels not matching ASN	\$10 per carton or "Right To Refuse"
FR-22	Price Ticket Creation Charge (Instead of Vendor requesting tickets through Avery, Goody's is either required to or requested to print tickets for vendor.)	\$20.00/K tickets PLUS actual Fed-Ex charges
FR-23	Improper Folding Charge	\$100/Line PLUS .25 per Unit
FR-26	For EDI Purchase Orders, any ticketing errors including (but not limited to) wrong retail price, not ticketed, wrong UPC, etc.	\$10 - \$20 per carton or "Right To Refuse" – Minimum \$100
FR-27	Wrong DC Location Transmitted on ASN / Duplicate UPC's	\$250.00 Per Occurrence
FR-28	Unauthorized ASN/EDI Invoice Re-Transmission	\$250.00 Per Occurrence
FR-29	Carton Contents not matching ASN- Requiring a per carton inspection	\$10 - \$20 per carton- minimum \$250.00
FR-30	Multiple Shipments made on EDI BASIC PO's (Effective: 2-1-06)	\$500 Handling Fee PLUS Incoming/Outgoing Freight
FR-31	Failure to ship BASIC EDI Merchandise 95% complete	\$250 per PO short PLUS 20% Cost allowance on shorted amount
FR-32	Size not indicated on each individual component of a SET	\$250 per style/color PLUS .25 per unit
FR-33	Errors in a vendor's transmitted ASN cause disruptions/problems in Goody's internal EDI systems.	\$500 - \$2500- chargeback amount to be determined by the amount of damage caused to Goody's internal EDI systems.
FR-34	Vendor seeded hangers in carton instead of applying to merchandise	\$250 plus .25 per unit or \$10 per carton (minimum \$250)
FR-35	Did not use Goody's required hanger with top sizer from TIC <starting 2/1/2007>	\$250 plus .25 per unit or \$10 per carton (minimum \$250)
FR-36	Vendor applied Goody's top sizer hanger is a different size than the actual garment	\$250 plus .25 per unit or \$10 per carton (minimum \$250)

PACKING LIST EXPENSE OFFSET CHARGES

Offset Code	Compliance Issue	Expense Offset
PL-1	No Packing List	\$5 per carton or \$150- whichever is greater
PL-2	UPS/RPS Packing Lists not on each carton	\$150 per incident (Line)
PL-3	No or Wrong PO # on packing list	\$250 per incident (Line)
PL-4	No or Wrong Department # on packing list	\$250 per incident (Line)
PL-5	PO Not Detailed	\$5 per carton or \$150- whichever is greater
PL-6	Packing Lists not readable	\$5 per carton or \$150- whichever is greater
PL-7	No or Wrong Vendor Style # on Packing Slip	\$250 per incident (Line)
PL-8	Packing Slip does not reflect the proper detail. (Packing Slips MUST reflect the quantities shipped to that particular DC. Packing Slips are not to reflect a shipment 'grand total' if the order is split between 2 DC's.)	\$5 per carton or \$150- whichever is greater

UNAUTHORIZED CHANGES TO SHIPMENT

Offset Code	Compliance Issue	Expense Offset
UC-1	Shipped 1-13 Days EARLY	\$250 Handling Charge PLUS 10% Cost Discount (If Goody's Elects To Keep)
UC-2	Shipped 14-30 Days EARLY	\$250 Handling Charge PLUS 20% Cost Discount (If Goody's Elects To Keep)
UC-3	Shipped 31-PLUS Days EARLY	\$250 Handling Charge PLUS 30% Cost Discount (If Goody's Elects To Keep)
UC-4	Shipped 1-4 Days after original cancel date	2% of Invoice (If Goody's elects to Extend PO and Keep)
UC-5	Shipped 5 Days after original cancel date	5% of Invoice (If Goody's elects to Extend PO and Keep)
UC-6	Shipped 5+ Days after original cancel date	1% of Invoice per day (If Goody's elects to Extend PO and Keep)
UC-7	Purchase Order Canceled	\$250 per incident- plus "Right To Refuse"
UC-8	Style and/or Color and/or Size Substitution	Minimum \$250 up to the FULL Cost price of merchandise substituted PLUS \$250 per line handling charge- Per incident- or "Right To Refuse"
UC-9	Quantities over-shipped at order level	Goody's will pay for ONLY the merchandise received as ordered- any overage will be either returned to the vendor- at the vendor's expense- without prior notification- PLUS \$500 per line handling charge- OR merchandise kept by Goody's at NO CHARGE
UC-10	Unauthorized Backorder shipment	\$250 per incident PLUS all freight charges PLUS "Right To Refuse"
UC-11	Failure To Ship Designated "New Store" Purchase Order 100% Complete	\$250 per line SHORT PLUS 20% Cost Discount. It is CRITICAL that designated New Store Purchase Orders be shipped complete and on a timely basis. New Store Purchase Orders MUST be allocated FIRST!
UC-12	Failure to accept Goody's 860 Purchase Order Change document (EDI)	\$250 per occurrence

SHIPPING EXPENSE OFFSET CHARGES

Offset Code	Compliance Issue	Expense Offset
SE-1	Same Day/Multiple BOL	\$250 per incident PLUS Freight Overcharge
SE-2	Shipped to Wrong Destination	\$500 per incident and freight to reship to proper destination
SE-3	Multiple PO#'s with no detail on BOL	\$150 per incident
SE-4	Cartons per PO# not detailed on BOL	\$150 per incident
SE-5	No or Wrong PO # on BOL	\$150 per incident
SE-6	No or Wrong Department Number on BOL	\$150 per incident
SE-7	Unauthorized Air shipment	\$100 plus full freight charges- Vendor MUST obtain an Air Approval # from the buyer PRIOR to shipping your merchandise by air.
SE-8	Unauthorized Carrier Substitution	\$100 plus full freight charges
SE-9	Unauthorized Volume Shipment	\$100 plus full freight charges
SE-10	Unauthorized Direct Store Shipment	\$500 plus full freight shipment + Additional Dating Terms
SE-11	Freight Charges on Invoices	\$100 plus full freight charges, per invoice
SE-12	UPS/RPS Limits exceeded	\$100 plus full freight charges, per carton
SE-13	Failure to ship FOB Goody's Designated DC	\$100 plus full freight charges
SE-14	Failure to follow Routing Instructions	\$100 plus full freight charges
SE-15	Packing List in BOL carton Count	\$100 per incident
SE-16	Incorrect weight on BOL	\$100 per incident
SE-17	Incorrect or incomplete merchandise description on BOL	\$100 per incident- plus Loss (If any)
SE-18	Not in compliance with appointment given	\$10 per carton differential- Minimum \$250
SE-19	Half Freight Charge From US West Coast	½ of the actual freight charged to Goody's from US West Coast
SE-20	Loading/Lumper charges	Goody's will not pay any Loading/Lumper Charges- These charges will be billed back to vendor
SE-21	Failure to ship to consolidator Pre-Paid	\$50 PLUS Actual freight charges to consolidator
SE-22	# of cartons does not match BOL	\$100 PLUS full freight charges
SE-23	Failure to follow appointment procedures	Actual freight PLUS 2% of Invoice or \$1,000, whichever is greater- or Right To Refuse; or amount of shortage PLUS \$250.00 HC if applicable
SE-24	No or wrong Appointment # on BOL	\$250 per incident
SE-25	Duplicate FAXED or E-Mailed requests for PO Routing within a 24 hour period	\$250 per incident
SE-26	EDI Vendors: BOL # Quoted in Appointment Process is not the same as the BOL # transmitted on the ASN	Actual freight PLUS 2% of Invoice or \$1,000, whichever is greater- or "Right To Refuse"
SE-27	Failure to send only one BOL per trailer	\$250 per incident
SE-28	ASN not transmitted by trailer	\$250 per incident
SE-29	Failure to properly complete the Routing/Appointment Request Form	\$100 per incident
SE-30	On Manual PO's, Vendor shipping a quantity over the total open order quantity- at the line level	Goody's will pay for just those items ordered. Goody's will retain any quantity received from a vendor over the original order quantity at NO CHARGE, PLUS \$500 Handling Charge per line that are over.
SE-31	On EDI PO's, Vendor Shipping a quantity over the total open order quantity- at the line/store level.	Goody's will pay for just those items ordered. Goody's will retain any quantity received from a vendor over the original order quantity at NO CHARGE, PLUS \$500 Handling Charge per line that are over.
SE-32	Failure to utilize carrier's equipment as vendor requested/Detention Issues	Actual "Non-Use of Trailer" charge PLUS \$250 per incident or Actual Detention Charges PLUS \$250 per incident
SE-33	Violation of the '48 hour' Rule for Routing	\$100 - \$250 per incident
SE-34	Failure to list actual carrier on BOL	\$150 per incident
SE-35	Failure to properly classify shipment on BOL	\$250 plus actual freight charges
SE-36	Failure to become Store Specific EDI on a Timely Basis	Up to \$1000.00 per non-EDI PO generated/received outside approved time frame and/or cessation of future business
SE-37	When routed to Triangle Transport, did not use Triangle for pickup	\$50 plus actual charges from Triangle
SE-38	Freight charges.	Actual shipment freight costs are charged back to the vendor +5% administrative fee.
SE-39	Backhaul freight charges	Actual backhaul freight costs +5% administrative fee.
SE-40	Unauthorized palletized shipment	\$500-\$1000 per incident

TRADE PAYABLE CHARGES

Offset Code	Compliance Issue	Expense Offset
TP- 1	Failure to Notify Trade Payables of Remittance Address Change	\$100 per incident
TP-2	Copies of previously sent chargebacks	\$25 per request
TP-3	Excessive requests for Proof of Delivery for RTV Shipments	\$25 per request
TP-4	Request to research item over 90 days (3 months) old	Goody's requires that all disputes be submitted in writing to the Office of Vendor Relations within 90 days (3 months) of the original claim date. If a dispute is not received within this 90-day time period, Goody's will not recognize this dispute. If Goody's does research a claim over this 90-day period, Goody's will assess a minimum of \$200 per aged item/claim number/line number/purchase order
TP-5	Incorrect Mailing of invoice to Goody's- Sent to the wrong address	\$100 per incident + Dating
TP-6	Additional Copies of previously sent payment details	\$25 per request
TP- 7	Trade Payables requiring to manually work an EDI invoice due to vendor compliance issues	\$250 per purchase order
TP- 8	Failure To Transmit Acceptable EDI Invoice This Offset Expense includes- but is not restricted to: Incorrect Cross Referencing Between the 810/856, Invalid UPC's (Missing or Invalid); and Missing a CTT Segment	\$250 per event
TP- 9	Requests for additional copies of Debit Memo Chargebacks/ Return To Vendor/Shipping Violations	\$25 per request
TP- 10	Trade Payable involvement in Price Difference Disputes- (NOTE- Such disputes should be worked out between Vendor & Merchant Staff.)	\$50 per event
TP- 11	Goody's required to reimburse vendor for incorrect (lower) cost shown and paid on invoice received- (Vendor sent an incorrect invoice at a lower cost than agreed to and listed on the purchase order)	\$50 per adjustment
TP- 12	Failure to send 1 invoice per shipment. EXAMPLE: On a split Purchase Order, vendor is to invoice the Knoxville and Russellville shipments separately. When a vendor makes a shipment- the vendor is to invoice for that shipment. Do NOT combine more than one shipment on a single invoice.	\$250 per event
TP- 13	Failure to provide accurate Order information to the buyer at the time of order entry	\$250 per line / PO
TP- 14	Research Fee charged when vendor initiated investigation into requested item identifies the fact that Goody's was not in error	\$50 to \$250 per item researched
TP- 15	During EDI Testing, vendor transmits invoices on Purchase Orders other than the test Purchase Order.	\$250.00 per invoice
TP- 16	Invoice cost does not match Purchase Order cost	Goody's pays the lower of the 2 costs. Vendors are encouraged to check their Purchase Order upon receipt to make certain that the cost prices listed on the Purchase Order are correct. Incorrect cost prices MUST be communicated to the proper buyer to have the Purchase Order changed/updated BEFORE receipt.
TP- 17	Failure to follow proper RA # procedures	Minimum of \$250.00 per occurrence
TP- 18	Header of transmitted EDI Invoice does not match the sum total of the invoice	\$5.00 per invoice- minimum of \$250.00
TP- 19	Vendor transmits UPC's on EDI invoice that are not on the PO	\$250.00 per style
TP- 20	Vendor transmits an invoice total (in units) that does not match the transmitted ASN units. (Goody's will always pay the lessor of the 2 amounts)	\$250.00 per occurrence
TP- 21	If Goody's files a freight claim on behalf of a vendor	\$100.00 per occurrence/claim
TP- 22	EDI vendor issues a credit to Goody's Trade Payables department that proves to be incorrect and requests repayment later.	\$250.00 per occurrence/claim