

4.0 MERCHANDISING REQUIREMENTS

This section provides the requirements for initiating merchandise sales through True Value to its Retailers, including the necessary supporting materials and documentation.

4.1 GENERAL REQUIREMENTS

- Provide appropriate representation to our merchandising team to include key factory decision-makers (National Accounts Manager, VP of Sales, etc.).
- Provide timely information regarding new products and programs, market pricing and price listings, consumer and market trends, product catalogs and any other information.
- Provide new and/or expanding store support.
- Provide product knowledge training (when needed) for True Value and its customers.
- Provide proactive yearly business plans to help sell your products and programs effectively through our distribution channel.

4.2 SPECIFIC REQUIREMENTS

4.2.1 MERCHANDISING PROGRAM AGREEMENT FORM

Please review the following list with your Merchant to determine which programs best support your planned sales growth with True Value. Provide all necessary information on the form named MSC Program Agreement:

4.2.1.a Advertising: Indicate the amount of advertising support in the form of an accrual to True Value. All co-op advertising/marketing funds are based upon True Value's total purchases, which includes, but is not limited to, all warehouse and direct-ship purchases. Please specify if a flat dollar (\$) amount or a percentage (%) of purchases will be provided to support advertising programs for your products.

Note: Supplier participation in special marketing collateral, events or programs as well as new product or brand introductions may require supplemental funds to the annual Advertising investment.

4.2.1.b Functional/Volume Allowance: Defined as additional discounts given by the Supplier to help keep True Value competitive in the marketplace, the Functional/Volume Allowances are accrued throughout the year. Indicate the amount of allowance accrued based on a percentage (%) of True Value Warehouse Only, Direct Ship Only or Total Purchases.

4.2.1.c Volume Growth Incentive: Incentive program based on incremental purchases from previous year. This incentive should be negotiated with your Merchant based upon a business plan approved by both parties to drive incremental sales through True Value Retailers'

stores. The Volume Growth Incentive is a tiered incentive that pays True Value additional funds with proven growth.

4.2.1.d Retail Implementation Fund (RIF): Funds collected to support the Destination True Value Retail program including planogramming, store planning, merchandise presentation, and store conversions. DTV is designed to help Retailers effectively manage their product categories and execute a profitable retail merchandising strategy. Indicate the amount of fund support based on a percentage (%) of True Value Warehouse Only, Direct Ship Only or Total Purchases.

4.2.1.e Retail Growth Program: This program provides a package of financial incentives and benefits for Retailers who want to grow their business by opening a branch store, relocating to a bigger store or adding 10,000 square feet or more of additional space to an existing store. Comparable to "new store" discounts offered throughout the hardware industry, True Value asks that all of its Supplier partners invest in a 50% to 100% off Retailer cost discount for the initial planogram shipped into the new or expanded store.

4.2.2 MERCHANDISING SUPPLIER TERMS/RETURNS AGREEMENT FORM

Provide all necessary information and authorize the following:

4.2.2.a Payment Terms: Terms to be specified for both Warehouse and Direct Ship programs.

4.2.2.b Freight Terms: Terms, FOB Point, Order Minimum and Prepaid Minimum amount to be specified. Specify allowance Percent (%) if prepaid with allowance.

4.2.2.c Truckload Allowance: Specify allowance in Percent (%) or Dollars (\$) based on Weight, Units or Dollars.

4.2.2.d Return Goods Specifications for Damages and Overages: Specify Blanket Returned Goods Authorization (RGA), Contact Information (if RGA must be attained in each case) or Dispose and Debit option.

4.2.2.e Defective Goods Allowance: Specify Policy A (Destroy in Field for Warehouse stocked items) or Policy B (True Value or Retailer must contact Supplier for disposition of goods for which True Value deducts automatically from Supplier's payment).

4.2.3 MERCHANDISING SUPPLIER CONTACT INFORMATION FORM

Provide all current Supplier Company and Contact information.

4.2.4 SUPPLIER REPRESENTATION

In order to remain competitive and grow our business, True Value must have a direct relationship with the decision-makers of the companies with which we conduct business. This would include, but not be limited to, senior management level personnel in positions such as National Account Manager, Vice President of Sales, COO, President and CEO.

While some manufacturer's representatives add value and provide various services, most do not provide the level of decision-making support required to strategically grow our business together.

Accordingly, it is not a requirement to have a manufacturer's representative or service agent to do business with True Value. Before acquiring the services of an outside agency, please discuss with your Merchant the need for any additional service beyond that provided by the factory.

4.2.5 PROACTIVE BUSINESS PLAN

True Value holds its warehouse suppliers responsible for producing positive year-over-year financial results. Comp sales to our Retailers, margin, inventory turn, fill-rate and actual lead times are critical financial metrics that are reviewed yearly through a business review process.

As a Supplier Partner of True Value, you are expected to work with your merchandising team to establish an annual business plan that will help drive increased sales of your products through our Regional Distribution Centers ("RDC's") and out the doors of our Retailers' stores.

4.2.6 MARKET PRICING, PRICE LISTS AND MARKET TRENDS

True Value requires all of its Suppliers to inform their Merchants of any changes in the retail or wholesale marketplace that may have an effect on the performance of their products in either our RDC's or our Retailers' stores. This information includes, but is not limited to market changes in the cost or the retail selling price of a product, industry changes or acquisitions, and any changes in trends as they occur in the marketplace.

Commodity or "highly visible" products should be shopped on a regular basis to ensure that True Value remains competitive in the markets it serves. As they are revised by the Supplier, price lists must be submitted to the appropriate Merchant.

4.2.7 PRODUCT KNOWLEDGE AND TRAINING

Product knowledge helps our Merchants and our Retailers sell more of your products. A well-trained sales associate will sell a better mix of your products which may improve profitability for everyone involved.

Product knowledge training can be done “hands-on” at the Retailer’s store or through electronic media such as our **Membersonline.com** web site or a DVD. Please contact your Merchant for the appropriate type and level of product knowledge required for your product category.

4.2.8 PRODUCT EVALUATIONS AND TESTING

To ensure products meet or exceed all applicable requirements, product tests, inspections and evaluations will be initiated and conducted by True Value on a periodic basis. These evaluations may be conducted with or without prior notice and may be conducted on finished products or their components.

Suppliers are required to comply with True Value’s or its designated representative’s instructions for testing. Compliance steps may include submission of the following:

- Samples (pre-purchase, production, returned goods, those involved in legal claims, etc.)
- Forms (safety listing files and product claim forms)
- Product-related data (specifications, production records, product quality data)
- Payment of fees (process may require pre-payment of test fees before lab initiation)

Relevant requirements may include:

- Safety standards
- Industry standards
- Regulatory requirements
- Performance and other related claims made by Supplier
- Specific requirements of True Value

Depending upon the circumstances, product-specific expectations will be shared with the Supplier by True Value or its designated representative prior to conducting the testing. The objective is to reach agreement on defect classifications and acceptable tolerances prior to conducting the review, especially for unregulated products or product attributes. New suppliers, new factories and new products could be treated differently than those with historical records available to True Value. Consistently positive quality results will lead to a reduced number of tests and inspections whereas negative quality results will require increased levels of testing (to be paid for by the Supplier).

4.2.9 PRICE INCREASES

Pricing policies as detailed on VOL in Supplier Policies & Procedures section 4.2.9 are to be strictly adhered to.

Supplier Policies & Procedures

Suppliers must provide written notification to the appropriate Merchant of any proposed price increase a minimum of 90 days prior to its effective date.

Price increase notifications must be accompanied by the reason for the proposed increase including any documentation to support the increase and complete retail and wholesale price shops.

All proposed price increases also need to be submitted by the Supplier thru VMD and must include the following (based upon valid industry cost and retail information): proposed Acquisition Cost, a proposed suggested Retailer (Member) Cost and a proposed Suggested Retail.

Once all of the required supporting documentation has been submitted, the documentation will be reviewed and the Supplier will be contacted by the Merchant prior to the effective date of the increase to either approve or deny the proposed cost increase.

Price increases will only become effective if authorized by the Global Product Merchant through True Value's approval process.

4.2.10 RETAILER COMMUNICATIONS

True Value does not release mailing lists or other contact information for its Retailers for the sole purpose of soliciting business. If you wish to distribute marketing communications (sell sheets, catalogs, etc.) to Retailers, all materials must first be approved by a Divisional Vice-President of Merchandising at True Value. If the marketing communication will be sent in a printed format, it must be submitted for distribution through our Print Services Department (1-773-695-5248 or -5226). Once you obtain approval from the Divisional Vice-President, the following procedures should be followed:

1. Prior to completion of any marketing communication destined for Retailers, our Creative Department must approve all creative aspects and any usage of the True Value brand. Allow at least five days for this approval process.
2. E-mail a copy of the proposed marketing communication (in a PDF format) to both your Merchant and the Corporate Creative Manager in Advertising for approval.
3. Determine if the marketing communication will be printed by the Supplier or by True Value with a charge to the Supplier. (If printed by True Value, charges will be billed to Supplier at True Value's cost.)
4. Obtain from Manager, Publishing and Print (Ext. 5248) the dates by which completed marketing communications must be delivered to our fulfillment house in advance of a mailing date.
Note: After a mailing has been completed, mailing costs will be billed to the Supplier at current rates. All print overages will be given to your Merchant.

Situations where faxes or emails are sent directly to Retailers should be extremely rare. If deemed absolutely necessary, faxes or emails must also be approved by your Merchant, Merchandising DVP and the Corporate Creative Manager as well as coordinated through the MSC Communications Manager.

4.2.11 NEW STORE SUPPORT/RETAIL GROWTH PROGRAM

The labor, fixture and merchandise investment required to open a new True Value store can at times be overwhelming for a new store owner. Our Retail Growth Program is designed to help our Retailers and the cooperative profitably add store count and expand retail selling space.

Because both True Value and its Supplier Partners directly benefit from every new True Value store that opens or significantly expands its existing square footage, we ask all Suppliers to provide assistance in the areas of product merchandising, displays, point-of-purchase materials, product knowledge training and "new store discounts" on all products ordered for the initial set-up of the new or expanding store.

This additional assistance, while minimal in dollar value for the Supplier and True Value, will help the new and/or expanding store achieve profitability faster, ensuring a longer term payback for all parties involved.

4.2.12 INTERNATIONAL REQUIREMENTS

Requirements for Import Shipments of goods to True Value Regional Distribution Centers or Export Shipments to True Value's International Retailers must adhere to specific guidelines.

4.2.12.a Import Requirements:

- The True Value **Import Shipping Guide** provides guidelines and standards to assist Suppliers in the preparation and shipment of product to comply with True Value's International Shipping requirements and regulations.
- Instructions in the guide will be strictly enforced to ensure efficient and timely movement of all imported merchandise. Any deviations from the procedures contained in the guide must have the prior written approval of True Value's Import Logistics Department.
- If you are an Import Supplier to True Value, please access the Import Guidelines via the Supplier Info section of VendorsOnline. Please review it carefully and provide copies to your respective traffic department and all shipping origins. If you have questions, contact information for True Value's Import Logistics department is provided in Appendix B of the guide.

4.2.12.b Export Requirements:

- Country of Origin



Supplier Policies & Procedures

True Value is required by Customs (Import) and Bureau of Industry & Security (Export) to ensure the accuracy of the Country of Origin when submitting information to these agencies.

In turn, Suppliers are required to provide Country of Origin information via Vendor Managed Data (VMD) for all new items and to certify that all Country of Origin data for active Warehouse items is accurate in VMD. Also, Suppliers need to submit any changes to origin of their product(s) to one of those responsible below:

Import Compliance Analyst	1-773-695-5876
Export Compliance Analyst	1-773-695-5879
International Logistics Compliance Manager	1-773-695-5822