

Efficient Receipts Program

Compliance Guidelines and
Schedule of Cost Recovery

For Shipments Inbound to
Barnes & Noble

Revised
March 2, 2009

BARNES & NOBLE
BOOKSELLERS

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Introduction

This document describes the elements Barnes & Noble will monitor to determine compliance with our vendor guidelines and other specifications. Our guidelines apply to shipments inbound to:

- All Barnes & Noble distribution centers
- Barnes & Noble stores.

Shipments inbound to Barnes & Noble College Stores are not covered by these guidelines.

The Barnes & Noble guidelines are comprised of:

- Business Procedures For Supplying Books to Barnes & Noble
- Business Procedures For Supporting the Barnes & Noble Specialty Departments
- Business Procedures For Supplying Bargain Books and Products to Barnes & Noble
- How to mark your products (*Policy on Product Identification and Bar Coding*)
- How to prepare your product data (*Product Data Preparation Guidelines*)
- How to mark your cartons (*Carton Specifications and Labeling Guidelines*)
- How to mark your pallets (*Pallet Specifications and Labeling Guidelines*)
- Domestic freight routing guidelines
- Import shipping and routing guide

The guidelines are available for viewing on or download from our corporate website at:

<http://www.barnesandnobleinc.com/vendorguidelines>

Compliance

Compliance with our guidelines enables Barnes & Noble to process shipments of your products through our supply chain and present them to our customers in a safe, efficient, and timely manner. Non-compliance may result in damage, delay, and loss of sales. Action that may be taken in the event of non-compliance includes the levying of cost recovery as described in this document.

As used in this document, “violation” means non-compliance with the specified guideline for receipts under a given purchase order within a week.

Examples:

- Non-compliance of the shipping label guideline on each carton of a 60-carton shipment in response to one purchase order constitutes a single violation, not 60 violations.
- Non-compliance consisting of two shipments on different purchase orders received without anticipated Advance Ship Notices (ASNs) constitutes two violations.

Vendors Active Before January 1, 2009

Vendors active with Barnes & Noble before January 1, 2009, are expected to be in full compliance, or actively working toward compliance, with all provisions of the Barnes & Noble Efficient Receipts Program.

Vendors New After January 1, 2009

Vendors new to Barnes & Noble after January 1, 2009, are expected to be in full compliance, or actively working toward compliance, within 60 days of selection as a vendor.

Questions?

Your Barnes & Noble DC Vendor Contact can provide answers for questions regarding the procedures and related operational practices described in the guidelines.

Changes Since Original Issue

The Barnes & Noble *Efficient Receipts Program* was first issued in this format on May 31, 2005. Changes have been made in previous revisions of these guidelines and extensive changes have been made in this revision. Although many changes clarify previously existing violation statements and cost recovery schedules, other changes result from new requirements.

Major Additions in this Revision

- Business Procedures (listed on Page 1) have been issued describing aspects of order processing, product handling, and invoicing that were not covered previously in Barnes & Noble guidelines. Failure to follow the procedures described in these documents will be non-compliant. (Page 3)
- Improper handling of multi-volume or multi-unit sets frequently results in failure to fulfill customer orders and related costly corrective actions. Critical elements of compliance with Barnes & Noble guidelines for handling sets are called out in several sections of this document; non-compliance with any instruction in the guidelines is considered an infraction. (Page 6).

Specific Infractions Added in This Revision

- Failure to acknowledge a purchase order (Page 3)
- Unauthorized packaging of bargain products (Page 4)
- Non-compliant packaging or labeling of Incremental Order Quantities (IOQ) or inner cartons (Page 4)
- The receipt of a duplicate SSCC within 12 months (Page 5)
- Stacked books on the same pallet with cartons (when stacked books are permitted)

Other changes primarily editorial in nature have been made to clarify compliance elements. As a result, it may appear that an element has been changed, depending on a previous interpretation by the reader.

Vendors are strongly encouraged to review this document in its entirety to ensure that our Efficient Receipts Program is clearly understood. Vendors are also encouraged to verify their understanding with their DC Vendor Contact, so that delays in providing products to customers may be avoided and related costly corrective action will not be necessary.

Compliance Elements

<u>Purchase Order Related Infractions:</u>	Cost Recovery
Non-compliance with any provision of the Purchase Order process as described in the relevant Barnes & Noble Business Procedure even if not specifically called out below.	Cost incurred in specific corrective action
Failure to acknowledge any Purchase Order, whether sent as conventional EDI or as an e-mail attachment	\$200 per violation
Duplicate shipment of a single Purchase Order Shipment of a cancelled Purchase Order	\$200 per violation plus cost to return shipment
Unauthorized title substitutions (including old editions for new) without prior approval.	\$200 per violation plus cost to return shipment
Product or packaging not in compliance with any term of the specific Purchase Order or governing Purchase Agreement, including, but not limited to: <ul style="list-style-type: none"> • Discrepancies in Order Quantity • Unauthorized overage exceeding 10% of Order Quantity • Incorrect Quantity Rounding related to case packs • Product not in specified Incremental Order Quantities (IOQ) 	\$200 per violation plus cost to rectify or to return non-compliant product at Barnes & Noble option

<u>Purchase Order Timely Arrival Infractions:</u>	Cost Recovery
It is the vendor's responsibility to plan for shipments to arrive at Barnes & Noble stores or distribution centers on stated expected arrival dates within the tolerances specified below. A week is considered to be 5 working days. Expected Arrival Dates will be included as part of an overall purchase agreement or on a specific Purchase Order. Dates may be conveyed in writing, as part of printed Purchase Orders, or in electronic transmissions.	
Trade book product received more than one week earlier than the Expected Arrival Date. Payment for Trade Book Product received early will be keyed on agreed-to Expected Arrival Date. It will not be triggered by early product arrival. Bargain or Specialty Business (non-book) product received more than two weeks earlier than the Expected Arrival Date.	\$200 per violation plus 0.25% of the product value (at cost) for each week product is earlier than specified
Product received later than the Expected Arrival Date.	5% of the product value (at cost)
Seasonal product received later than the Expected Arrival Date.	Disposition of product and repricing subject to negotiation by buyer.

<u>Product Related Infractions – Books:</u>	Cost Recovery
Multi-volume sets not handled in accordance with Barnes & Noble guidelines	See section on Multi-Volume Sets, Page 6
<p>Books physically defective (damaged or incorrectly manufactured)</p> <hr/> <p>The product identifier (ISBN) and bar code is not in compliance with all provisions of current Barnes & Noble <i>Policy on Product Identification and Bar Coding</i>.</p> <p>These provisions include, but are not limited to:</p> <ul style="list-style-type: none"> • The display of a UPC bar code instead of, or in addition to, a Bookland EAN bar code on new publications. (UPCs in addition to Bookland EANs will be covered with plain labels; UPCs instead of Bookland EANs will be overstickered with Bookland EANs.) • Bar codes smaller than specified in the <i>Policy on Product Identification and Bar Coding</i> <p>Books received with price display discrepancies:</p> <ul style="list-style-type: none"> • The human-readable suggested retail price is missing or incorrect • The suggested retail price is NOT encoded into the Bookland EAN add-on bar code (as described in the <i>Barnes & Noble Policy on Product Identification and Bar Coding</i>) • The human-readable suggested retail price and the price encoded in the Bookland EAN add-on do not agree 	<p>\$200 per violation</p> <p>When unit corrections by Barnes & Noble are necessary and possible, an additional charge of:</p> <p>\$0.25 per unit corrected</p> <p>The cost recovery charge may be greater if the cost of a specific correction or disposition exceeds the established average cost quoted above.</p>
Bar code size or placement on Cover 2 of strippable paperback books not in compliance with Barnes & Noble <i>Policy on Product Identification and Bar Coding</i> for new publications after March 31, 2008	\$200 per violation plus \$0.25 per cover rejected
For Bargain only: Unauthorized packaging as described in Barnes & Noble <i>Business Procedures for Bargain Books</i> or product received unjacketed.	\$0.15 per unit
For Bargain only: Product received with one or more unauthorized stickers	\$0.12 per sticker per unit
<u>Product Related Infractions – Non Book:</u>	Cost Recovery
Multi-unit sets not handled in accordance with Barnes & Noble guidelines	See section on Multi-Volume Sets, Page 6
<p>Product physically defective (damaged or incorrectly manufactured)</p> <hr/> <p>Products for which the bar code is not in compliance with all provisions of current Barnes & Noble <i>Policy on Product Identification and Bar Coding</i>.</p> <p>Products received without a correct human-readable suggested retail price.</p> <p>Packaging or labeling of Incremental Order Quantities (IOQ) or inner cartons not in compliance with all provisions of the Barnes & Noble <i>Business Procedures for Supporting Specialty Departments</i>.</p>	<p>\$200 per violation</p> <p>When unit corrections by Barnes & Noble are necessary and possible, an additional charge of:</p> <p>\$0.25 per unit corrected</p> <p>The cost recovery charge may be greater if the cost of a specific correction or disposition exceeds the established average cost quoted above.</p>

<u>Carton Related Infractions:</u>	Cost Recovery
Cartons not in compliance with the physical specifications detailed in the Barnes & Noble <i>Carton Specification and Labeling Guidelines</i> .	\$200 per violation
Carton labels not in compliance with the requirements specified in <i>Carton Specifications and Labeling Guidelines</i> . Non-compliance includes, but is not limited to: <ul style="list-style-type: none"> • Shipping labels incorrectly formatted or missing information • Product Label not present, incorrectly formatted, or missing information on single item cartons • Placement of either label incorrect 	\$200 per violation
Carton labels for cartons containing multi-volume sets not in compliance with the requirements specified in <i>Carton Specifications and Labeling Guidelines</i> .	See section on Multi-Volume Sets, Page 6
Oversize product items (as defined in <i>Carton Specification and Labeling Guidelines</i>) not packaged in individual re-shippable cartons.	\$200 per violation
Shipments of mixed title cartons without prior approval. <ul style="list-style-type: none"> • Barnes & Noble ordering policy normally permits only cartons of a single title (solid or full cartons). • Exceptions to this policy must be clarified in the business agreement or by written authorization by the Barnes & Noble buyer prior to order acceptance 	\$200 per violation

<u>ASN/EDI Related Infractions:</u>	Cost Recovery
<p>Incorrect, invalid or unreadable SSCC bar code on the Shipping Label.</p> <p>Duplicate SSCC received within 12 months of a previous receipt of the same SSCC.</p> <p>EDI transmissions arriving after shipment receipt or other agreed-to EDI delivery time.</p> <p>Incorrect Standard Address Number (SAN) in ASN.</p> <p>ASN not furnished to a given Barnes & Noble receiving point by a vendor who furnishes ASNs to other Barnes & Noble receiving points.</p> <p>ASN not furnished by an EDI capable vendor within 60 days of formal request for ASNs by Barnes & Noble.</p>	\$200 per violation

<u>Pallet Related Infractions:</u>	Cost Recovery
<p>Pallet materials or physical construction not in compliance with <i>Pallet Specifications and Labeling Guidelines</i>.</p> <p>The pallet build not in compliance with specified size and height guidelines.</p> <p>Stacked books on the same pallet with cartons when stacked books are permitted by the purchasing agreement.</p> <p>Multi-volume sets not placed together on a pallet.</p> <p>Pallet header missing or not in compliance with specified guidelines.</p> <p>Pallet header not carrying notation when multi-volume sets are included on the pallet.</p>	\$200 per violation

<u>Multi-Volume Set Related Infractions:</u>	Cost Recovery
<p>The proper packaging of multi-volume or multi-unit sets and the proper labeling of cartons containing sets are critical. Mishandled sets can result in failure to fulfill customer orders and costly corrective actions.</p> <p>Detailed instruction covering all aspects of multi-volume set packaging and labeling is given in the following Barnes & Noble documents:</p> <p><i>Business Procedures for Supplying Books</i> <i>Business Procedures for Supporting Specialty Departments</i> <i>Carton Specifications and Labeling Guidelines</i> <i>Pallet Specifications and Labeling Guidelines</i></p> <p>The infractions called out below are especially important, but failure to adhere to any instruction in the pertinent documents will be considered non-compliant.</p>	
<p>More than one set of a small multi-volume set of books or other products in a carton and the set not bundled together as specified in <i>Business Procedures for Supplying Books</i> or <i>Business Procedures for Supporting Specialty Departments</i>.</p>	<p>\$200 per violation plus actual cost of any corrective action necessary</p>
<p>Product labels on cartons containing sets not formatted as described for sets in <i>Carton Specifications and Labeling Guidelines</i>.</p>	
<p>Absence of special carton top labels described in <i>Carton Specifications and Labeling Guidelines</i> indicating that a carton:</p> <ul style="list-style-type: none"> • Contains one or more small multi-volume sets • Contains a single multi-volume set <p>or</p> <ul style="list-style-type: none"> • Is one of two or more cartons which together contain a single multi-volume set 	
<p>Multi-volume sets not placed together on a pallet. Pallet header not carrying notation when multi-volume sets are included on the pallet.</p>	

<u>Shipping Related Infractions:</u>	Cost Recovery
Incorrect or incomplete Bill of Lading information Inclusion of Purchase Orders not listed on Bill of Lading Failure to include all Purchase Orders on Bill of Lading Failure to combine same destination, same day shipments on a Master Bill of Lading	\$200 per violation
Packing List not included with shipment when an Advance Ship Notice has not been sent Incorrect or incomplete Packing List information	\$200 per violation
Concealed damages	\$200 per violation plus value of product

<u>Transportation/Routing Infractions</u>	Cost Recovery
Failure to adhere to Refused Store Returns procedures Mis-shipments to closed Barnes & Noble stores	\$200 per violation plus cost of freight in and out
Failure to contact Barnes & Noble Traffic for routing collect shipments Failure to use designated carrier and/or requested weight break Failure of pre-paid vendor carriers to schedule a delivery appointment	\$200 per violation plus any differential in freight charges as compared to routing instructions
Use of accelerated shipping to meet arrival dates (due to late shipments)	\$200 per violation plus the difference between accelerated shipping costs and ground freight costs