

LOWE'S LIVE NURSERY VENDOR COMPLIANCE POLICY

Lowe's Live Nursery Expectations

On-Time Shipment – On-time shipment of orders is defined as: *Prepaid freight terms* – On time shipment of prepaid freight term orders is defined as arrival at our facilities on the arrival date specified on the purchase order. *Collect freight terms* – On time shipment of collect freight term orders is defined as shipment of orders on the ship date indicated on the purchase order. Lowe's will measure all vendors' performance for on-time shipment each calendar month.

RTR/Replenishment Orders – Replenishment order purchase orders are required to be in the system 3 days prior to cut-off.

Quantity Fill Rate – Quantity fill rate is defined as the total quantity of all items received divided by the total quantity of all items ordered by Lowe's on the original purchase order. All overages (i.e. a vendor ships more of an item than we ordered) are factored out of this calculation. Lowe's expects its live nursery orders to ship at a quantity fill rate no less than 95%. The standard for New Store orders is 100% quantity fill rate. Lowe's will measure all vendors' performance for quantity fill rate on a monthly basis.

Bar Coding, Packaging, & Tagging Requirements – All products are required to have a unique, scannable bar code according to the Uniform Code Council's specifications affixed to the package for product identification at the sales register. Lowe's accepts only UPC Version A, UPC Version E, EAN 8, and EAN13 bar code symbologies at point of sale. All standard shipping containers (master cartons, bundles, pallets, inner packs, etc.) containing fixed multiples of the same item must have an Interleaved 2 of 5 (SSC-14) Shipping Container Code placed on the packaging according to the Uniform Commercial Council's specifications. All cartons must be packed on the pallet with the barcode facing outward. All nursery products must also be properly labeled and tagged with Lowe's approved care tag instructions. Vendors pre-pricing items must ensure the pricing is correct for both the item and region.

EDI/Webform Requirements & Expectations – All Lowe's Live Nursery vendors should be fully EDI/Webform compliant within sixty days of receiving an approved merchandising program. Receiving, transmitting, and modifying purchase orders via EDI are mandatory. On-time reverse purchase order transmissions are defined as having the purchase order transmitted via EDI and posted in the Lowe's host computer. Reverse 855 purchase order transmissions (including purchase order changes) must be sent via EDI/Webforms the same day the orders are placed by the stores (including orders phoned or faxed to your office). Staged order 855 EDI purchase order transmissions are to be transmitted via EDI/Webforms three weeks prior to shipment of the orders.

Product Availability – Plant availabilities should reflect only items which are on the approved vendor listing and are seasonally appropriate for the advertising patch area. The availability listing should be communicated at the beginning of each week, including quantities available to all stores and be as descriptive as possible.

Guaranteed Sale – Credit must be issued within 3 business days for all guaranteed sale product.

Notification of Shipments – Vendors should contact stores 24 hours in advance when delivering trees, shrubs, perennials, and groundcover. The contact with the store should be made with either the Live Nursery Specialist, the Department Manager, or the Zone Manager.

Shipping Restrictions – Vendors may only ship approved items to approved patch areas. Vendors will consult the Merchandising Assistant if there are questions regarding which items and patches are approved. Vendors risk not receiving payment for shipments of unapproved items and shipments to unapproved patch areas. Also, vendors are not allowed to double-up (combining purchase orders in one shipment which have two different arrival dates) shipments unless the store has requested and approved this. Shipments are to follow the ship dates and arrival dates on the purchase order.

Tailgating Requirement – All truck drivers are required to tailgate regardless of the vendor owned truck or contract carrier.

Night Drop Process – Authorized vendors may make night drops between the hours of 10:00 p.m. and 6:00 a.m. Initially, the vendor will have to contact the Store Manager or Manager on Duty to determine where the "drop zone" will be located (The vendor will be contacted by store personnel should this location need to be changed. Any changes will need to be communicated to Live Nursery Logistics by the vendor.) Prior to product arrival, the vendor must fax a notification to the store informing them of the number of carts to be delivered and the delivery date. The driver will shrink wrap all carts together with the packing list and bill of lading attached inside the shrink wrap. Vendors picking up empty carts at the same time will include the number to be picked up on the fax notification and those racks will be left in the "drop zone." The store will have 24 hours to fax a signed copy of the bill of lading to

the vendor as proof of delivery. Vendors will contact the store the morning after the night drop to verify shipment. The vendor assumes liability for the product until it is received by Lowe's.

Cart Pick Up – Nursery carts are an integral tool necessary in conducting our business, and Lowe's wants to help ensure the repeated use of this asset as well as preserve the appearance of stores for all of our customers. Vendors will pick up carts/racks within 10 days of initial delivery. Should carts be remaining past 10 days, the vendor will be contacted by store personnel to pick up the carts within 48 hours or be subject to fines. The Lawn and Garden Service Representatives will be taking a count of all carts during each store visit. This count will be available to vendors daily on the RTR site by clicking on the "Grower Cart" link. Vendors should monitor this site and schedule cart pick up accordingly. Any vendor found to be picking up another vendor's carts/racks, including a third party's rental racks without permission, may be dismissed as a Lowe's vendor immediately. Any vendors needing to pick up their wooden racks need to make arrangements with the store, otherwise stores will dispose of the racks after receipt and processing of the product.

Invasive Plant Listings – Vendors are required to review and comply with all state requirements regarding shipments of invasive plants. This includes an assurance that your company will keep the newest list of invasive products by state. Shipping any product found on an invasive list of plants into Lowe's stores will not be accepted.

Fining Methodologies

On-Time Shipment – By the fifth day of each calendar month, Lowe's will generate reporting to determine your on-time shipment performance for the previous month. It is the responsibility of the vendor to provide documented proof of on-time shipments within two weeks of receiving the vendor compliance reporting. If documented proof is not provided within two weeks, a debit memorandum will be applied to your account and you will not be able to dispute this fine. Vendors performing below Lowe's expectations will be required to ship On-Time for twelve consecutive months before performance will be reset to zero. The amount of the fine will be calculated as follows:

First month	Warning letter will be issued	(no monetary fine)
Second month	Dollar value of late PO's x .2	(20% of the invoice value of the late orders)
Third month	Dollar value of late PO's x .3	(30% of the invoice value of the late orders)
Every subsequent month	Dollar value of late PO's x .4	(40% of the invoice value of the late orders)

Quantity Fill Rate – On a monthly basis, Lowe's will generate reporting to determine your quantity fill rate performance for the previous month. After the first monthly failure to meet the 95% quantity fill rate standard, an initial warning letter will be issued. For all subsequent failures, a performance failure fine will be assessed against your company. It is the responsibility of the vendor to provide documented proof of complete shipments within two weeks of receiving the vendor compliance reporting. If documented proof is not provided within two weeks, the debit memorandum will be applied to your account and you will not be able to dispute this fine. The amount of the fine will be calculated as follows:

First month below 95%	Warning letter will be issued	(no monetary fine)
Second month below 95%	Dollar value of the shortage x .2	(20% of the invoice value of the product not shipped)
Third month below 95%	Dollar value of the shortage x .3	(30% of the invoice value of the product not shipped)
Subsequent months below 95%	Dollar value of the shortage x .4	(40% of the invoice value of the product not shipped)

RTR/Replenishment Orders – Failure to have replenishment purchase orders in the system 3 days prior to the cut-off date will result in a \$25 dollar fine per purchase order.

New Store Shipments – Due to the critical importance of shipping all new store orders 100% complete and on-time, each failure to do so will result in \$5,000 dollar fine per failure. These fines will be automatically issued to your company via debit memorandum.

Order to Support Advertisements – Due to the importance of having product in the stores to support advertisements, each failure to on-time ship product to support an advertisement will result in a fine of up to \$10,000. Also, failing to reach the quantity fill rate goal of an order to support an advertisement will result in a fine of up to \$10,000.

Bar Coding, Packaging, & Tagging Requirements – A fine of up to \$1,000 may be applied for each purchase order containing non-compliant bar coding, packaging, or tagging.

EDI/Webform Compliance – Failing to be EDI/Webform compliant within 60 days will result in up to a service charge of \$100 per purchase order and/or the loss of business.

EDI/Webform Transmissions – A fine of up to \$1,000 may be applied for each reverse EDI transmission error.

Guaranteed Sale – Failure to issue credit for guaranteed sale merchandise within 3 business days will result in a fine of up to 20% of the credit amount.

Cart Pick Up – Failure to comply with the cart pick up policy in a timely manner may result in either disposal of the carts or up to a \$500 monetary fine at the discretion of the Vendor Supply Chain Specialist.

Invasive Plant Listings - Failure to comply with state requirements may result in fines, both from the individual state government and Lowe's. In addition, failing to observe these requirements may result in future loss of business.

Vendor Action Plans – Vendors who do not meet the standards defined above must devise and implement an action plan to bring performance up to Lowe's Live Nursery standards. Lowe's will request such written plans for each failure to meet standards. Lowe's Live Nursery Vendor Supply Chain Specialist will be your primary point of contact in communicating your action plan.

In addition to the structured fining process outlined above, Lowe's merchandisers always reserve the right to conduct line reviews at any time. Lowe's resulting actions may include a reduction or loss of business, dependent on the outcome of the line review.