

Greetings!

Enclosed are Shipping Compliance Requirements and Purchase Order Terms and Conditions for The Vermont Teddy Bear Company.

This document has been assembled to help our partners understand and meet our requirements. Our fulfillment center in Shelburne, VT is a state-of-the-art facility, which demands that certain shipping procedures be followed to effectively and efficiently process receipts. Please review this information and forward it to the appropriate people in your organization who will need to become involved. Failure to comply could result in charge backs for labor and materials needed to meet these standards. This document includes details on the following:

Approval Samples

Photography Samples

Packaging Requirements

Labeling Requirements

Case Requirements

Pallet and Loading Requirements

Quality Assurance

Certificate of Insurance

Purchase Order Confirmation and Terms

Vermont Teddy Bear Contacts:

Sourcing Department
802-985-3001
sourcing@vtbear.com

Matthew Mole, Director of Strategic Global Sourcing
802-985-3001 x1341
mmole@vtbear.com

Phil Kondracki, Purchasing Coordinator
802-985-3001 x1633
pkondracki@vtbear.com

Bob Miller, Product Safety and Compliance Manager
802-985-3001 x1679
bmiller@vtbear.com

Stacey Fillion, Offshore Production Manager
802-985-3001 x1664
sfillion@vtbear.com

Ian Smith, Offshore Logistics Coordinator
802-985-3001 x1639
ismith@vtbear.com

Costing

If you wish to be considered for production please return costing within 10 business days of receiving costing package.

Component Approval Samples

Lab Dips, Strike-Offs, Fabric Quality, Artwork, and Trim approval samples must be submitted as requested by VTB. Partner factory is responsible for the cost of producing all component approval samples as requested by VTB. Component approval samples should be sent to the Technical Design Department upon request. If you have any questions, please contact techdesign@vtbear.com.

Fit Samples and Preproduction Samples

Partner factory is responsible for the cost of producing all fit samples and preproduction samples as requested by VTB. Fit samples and preproduction samples should be sent to the Technical Design Department upon request. If you have any questions, please contact techdesign@vtbear.com. Please note: Bulk material qualities and colors must be explicitly approved by VTB before moving forward with them.

Photography Samples

Partner factory is responsible for the cost of producing all photo samples as requested by VTB. Photo samples should be sent to the Technical Design Department upon request. If you have any questions, please contact techdesign@vtbear.com.

Top of Production Samples

Partner factory is responsible for the cost of producing all TOPs as requested by VTB. Production samples for each item that has been ordered must be submitted prior to overall product shipment for approval. TOP samples should be sent to the Product Safety and Compliance and Offshore Production Manager. These should be pulled from the first units finished from bulk production. If you have any questions, please contact sourcing@vtbear.com.

Please Note: For all samples VTB will be responsible for the shipping cost of the first 2 submissions. If the samples we receive are incomplete, made with substitute materials, do not meet our specifications, or do not have our comments applied, the partner factory will be responsible for the shipping cost of the future submissions. Please evaluate samples before sending to VTB to ensure that they are in compliance with VTB tech packs and that they meet the above requirements. **All samples should be available two weeks after prior sample's comments have been sent. If this can not be met, an update must be given to Technical Design with a new expected date for the sample.**

Safety Testing

Third party lab testing for all applicable US federal and state level safety regulations is required for all products. For select products, safety testing for the applicable international safety regulations will also be required.

Specific testing requirements for each product will be provided to the partner factory during the PO placement process. If you have any questions, please contact sourcing@vtbear.com.

Quality Assurance Requirements

Third party preshipment inspections may be required before a PO is approved to ship. 80% of the PO must be packed at the time of the preshipment inspection. VTB will be responsible for the cost of the first preshipment inspection. If the results are failed, the partner factory will be required to rework the goods to correct the defects and to cover the cost of the follow up preshipment inspection(s). Based on the results of the preshipment inspection, we may determine that it is necessary to perform a final inspection upon receipt of the goods at our Distribution center.

We have a very high standard for quality. If any defects are found charge-backs will be applied for the cost of the rejected units as well as the labor to perform the escalated or 100% inspection. Labor will be calculated at the rate of \$15.00 per hour.

Our Inspection Standard is AQL 4.0 Major/2.5 Minor. Critical Defects are not allowed. In the event of a 100% inspection charge-backs will be applied for the cost of the rejected units as well as the labor to perform the 100% inspection. Labor will be calculated at the rate of \$15.00 per hour.

Packaging Requirements

- Stuffed plush toys, outfits, and accessories must be packed in sealed poly bags

- Unstuffed bear shells must be packed loosely inside of the shipping carton. Please use a plastic liner for the shipping carton and place the unstuffed shells inside so that no excessive wrinkling will occur during transport.
- Maximum poly bag dimensions are 18" x 14" x 8" unless otherwise approved by VTB.
- Please refer to Tech Packs for Poly Bag Dimensions for each style
- Poly Bags Must have ¼" vent holes punched through both layers and suffocation warning as indicated in the Tech Pack
- Each Poly bag must be labeled with a 1" x 3" sticker with the VTB inventory code, and product description. Please place the label on the upper left corner of the front of the poly bag as shown in the example below.
- No price tags or hangers are accepted
- No hangers are accepted

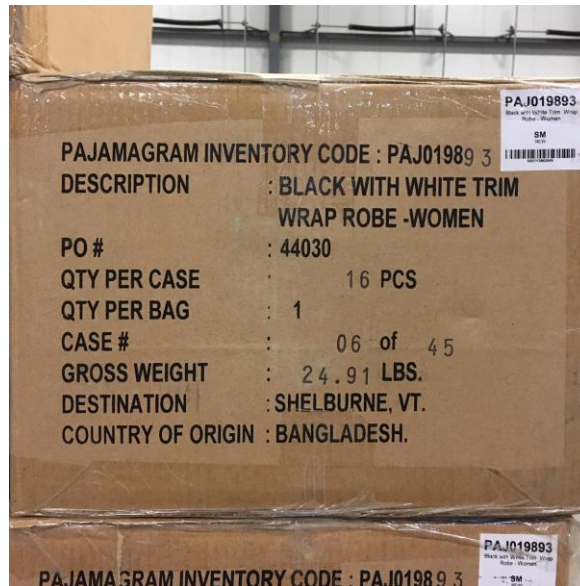
POLY BAG LABELING EXAMPLE



Case Marking Requirements: Labels must be printed directly onto the cartons on both short ends of each case as shown below. Do not use stickers for carton labeling. **The font must be at least ½ inch in height.** Please send a photo of the carton label prior to shipping for approval. **Do not mix different products in the same carton.**

VERMONT TEDDY BEAR INVENTORY CODE:	As written on the purchase order.
DESCRIPTION:	As written on the poly bag label
PO #:	As written on the purchase order
QTY PER CASE:	Number of items in the case
QTY PER BAG:	1
CASE #:	For example: 1 of 10
GROSS WEIGHT:	In pounds (lbs.)
DESTINATION:	SHELBURNE, VT unless otherwise indicated
COUNTRY OF ORIGIN:	Factory to provide

CARTON LABELING EXAMPLE



Case Size Requirements:

Please use our standard size case of 20"L (50.8cm) x 14.5"W (36.8cm) x 10.5"H (26.7cm). These are outside dimensions. All Cartons in the shipment must meet these dimensions. No carton in the shipment can exceed 30 lbs total weight per carton. Failure to comply with these specifications will result in charge backs for the labor and supplies needed for reboxing and relabeling as needed. Charge-backs will be applied at the rate of \$8.00 per case for each case that requires reboxing and relabeling.

Case Pack Requirements:

Case Pack quantities must remain consistent for each inventory code for all cases within the shipment. Only one partial case for each inventory code is allowed for each shipment. Please pack the partial case in our standard case size. The Case Pack quantity for each inventory code must also remain consistent across all POs and across all shipments. Please keep a record of the case pack quantity for each inventory code and make sure to follow it for all reorders.

Pallet and Loading Requirements:

When loading onto the container or trailer, please **keep loading in order of PO and sort all cartons of the same (Inventory Code) together**. We will need a **detailed load manifest** showing the contents by **PO and Inventory Code** for each shipping container, including container number.

Shipment Quantities

We allow ship quantities of +/-5% of Purchase Order quantities.

Purchase Order Confirmation

Please confirm acceptance of Purchase Orders within one week of receipt by sending a Proforma Invoice to sourcing@vtbear.com

Prebookings:

Prebookings for air and vessel shipments must be submitted to freight forwarder 2 weeks prior to x-factory date. VTB will make final approval of the booking once all passing Test Reports, Inspection Reports, and TOPs have been received.

Shipment Quantities

We accept shipment quantities of +/- 5% of the PO quantities for each SKU.

Packing List and Commercial Invoice:

All vessel and air shipments must include a Packing List. Packing List must be emailed to sourcing@vtbear.com and accountspayable@vtbear.com in advance of the shipment. Packing List must reference the Purchase Order Number and the Commercial Invoice Number. Product Descriptions on Packing List and Commercial Invoice must match Product Descriptions on Purchase Order.

Surrendered BOL

Must be submitted to VTB upon request.

PURCHASE ORDER TERMS & CONDITIONS

APPROVAL OF ANY VERMONT TEDDY BEAR CO. PURCHASE ORDER IS CONSIDERED APPROVAL OF THE FOLLOWING PROVISIONS

1. By signing below, Vendor accepts and acknowledges of the terms and conditions herein. Any changes by the Vendor shall not be binding unless accepted in writing by Vermont Teddy Bear Co., Inc. ("VTBC"). Vendor may not assign, transfer, sublet, or otherwise dispose of this contract or its right, title, or interest herein, or its power to execute such contract to any other person, firm, or corporation, without the previous written consent of VTBC's Purchasing Department.
2. Vendor shall ship in accordance with any instruction from VTBC and the requirements of common carriers in order to secure the lowest transportation costs.
3. Each shipment must be plainly marked and show the purchase order number. Vendor shall furnish a packing slip with all shipments giving the purchase order number along with a full description of materials shipped. No charge will be allowed for packing, boxing, or cartage, unless agreed upon in writing at the time of purchase.
4. VTBC reserves the right to cancel any order if goods are not shipped as directed. VTBC reserves the right to terminate its obligations under any order or any part thereof if any delivery is not made in the time provided or, if no time is specified, within a reasonable time, or if the delivered material does not meet specifications. Such right shall be in addition to VTBC's other legal rights, whether or not set forth in the order.
5. VTBC may return any materials which are defective, unsatisfactory, or of inferior quality or workmanship, or fail to meet specifications or other requirements of any order. At VTBC's option, Vendor shall replace such materials with satisfactory materials. VTBC shall not be liable for the purchase price of such materials until accepted by VTBC.
6. VTBC reserves the right at any time to direct changes, or cause Vendor to make changes to specifications of the goods or to otherwise change the scope of the work covered by any order, including work with respect to such matters as inspection, testing or quality control, and Vendor agrees to promptly make such changes.
7. Vendor warrants that the materials (a) will conform to the description and applicable specifications, (b) shall be of good merchantable quality and fit for the known purpose for which sold, and (c) are free and clear of all liens and encumbrances. Vendor further warrants that it has good and merchantable title to the materials. These warranties shall be in addition to any warranty or service guarantee given by Vendor to VTBC as provided by law.

8. Vendor shall promptly furnish to VTBC, upon request: (a) a list of all materials and ingredients in the goods purchased under any order, all of which Vendor warrants are in compliance with all applicable laws and regulations, (b) information concerning any changes in or additions to such materials and ingredients, and (c) any other information required by VTBC.

9. Vendor shall defend and indemnify VTBC against all damages, liability, claims, losses, and expenses (including attorney's fees) arising out of, or resulting in any way from any defect in the goods or services purchased under any order or from any act or omission of Vendor, its agents, employees or subcontractors.

10. It shall be unlawful for any officer or other employee of VTBC to order the purchase of any supplies or make any contract other than through VTBC's Purchasing Department. Any purchase ordered or contract contrary to the provisions hereof shall be deemed unapproved by VTBC officials, and VTBC shall not be bound thereby.

11. Unless otherwise specified, payments will be made on partial deliveries accepted by VTBC.

12. VTBC shall not be held liable for failure to accept all or any part of the materials tendered for delivery due to federal, state or municipal action, statute, ordinance or regulation, strike or other labor trouble, fire, windstorm, blizzard, or other incidents outside of VTBC's control which shall make such acceptance impossible or impractical.

13. In the event of non-performance (defective or unsatisfactory goods, inferior quality or poor workmanship of product, or product fails to meet specifications or other requirements), payment shall be withheld in whole or in part for purposes of assessing any charge-backs to which VTBC may be entitled. In the event cash discount is involved, the withholding of payment as provided herein shall not deprive VTBC from taking such discount.

14. All invoices shall be mailed and sent directly to VTBC's Accounts Payable Department. Inquiries regarding the status of unpaid invoices shall be directed to VTBC's Accounts Payable Department.

15. The Vendor is an independent contractor and is not authorized to represent, obligate, or contract for or on behalf of VTBC. Vendor shall supervise the performance of its own services and shall have control of the manner and means by which its services are performed, subject to the compliance with these terms and conditions.

16. Vendor may not assign, delegate or subcontract its performance, obligations and duties under any purchase order without VTBC's prior written consent.

17. VTBC reserves the right to cancel all or part of any order, without liability to Vendor, if Vendor (a) repudiates or breaches any of the material terms of such order, including Vendor's warranties; (b) fails to ship the goods ordered on the ship-by date; (c) fails to perform services or deliver goods as specified by VTBC in such order; (d) fails to make timely and proper completion of services or delivery of goods; (e) fails to conform with the terms and conditions of the Vendor compliance manual; or (f) endures any of the following or any other comparable event: (i) insolvency, (ii) filing of a voluntary petition in bankruptcy or reorganization, (iii) filing of any involuntary petition in bankruptcy, (iv) appointment of a receiver or trustee; or (v) execution of an assignment for the benefit of creditors or an attachment of all or a significant portion of Vendor's assets.

18. In addition to any other rights of VTBC to cancel or terminate any order, VTBC may, at its option, immediately terminate all or any part of such order, at any time and for any reason, by giving written notice to Vendor. Upon such termination, VTBC shall pay to Vendor only the following amounts: (a) the order price for all goods or services which have been completed and/or shipped in accordance with such order and not previously paid for, and (b) the actual costs of work-in-progress and raw materials incurred by Vendor in furnishing the goods or services specifically identified in the order to the extent such costs are reasonable in amount. VTBC will make no payments for finished goods, work-in-process or raw materials fabricated or procured by Vendor in amounts in excess of those authorized in delivery releases, nor for any undelivered goods which are in Vendor's standard stock or which are readily marketable. Payments made under this paragraph shall not exceed the aggregate price payable by VTBC for finished goods which would be produced by Vendor under delivery or release schedules outstanding at the date of termination. Except as provided in this paragraph, VTBC shall not be liable for, and shall not be required to make payments to Vendor (either directly or on account of claims by Vendor's subcontractors), loss of anticipated profit, unabsorbed overhead, interest on claims, product development and design costs, or any other similar such costs from termination of such order.

19. Vendor shall not, without first obtaining the prior written consent of VTBC, advertise or publish the fact that Vendor has contracted to furnish VTBC the goods or services or use any trade names, trademarks, or proprietary information of VTBC in Vendor's advertising and promotional materials. Any information supplied to Vendor, including but not limited to VTBC's purchasing, handling and marketing of goods and services, fabric specifications, size specification, construction of goods/or needling requirements as well as print design, color ways and fabric construction shall be held by Vendor as confidential proprietary information of VTBC. VTBC provides such information to Vendor in reliance on Vendor's agreement to hold the same confidential and Vendor's assurance that it will not copy or modify any of such information nor permit any third party to do so. In the event of Vendor's breach of any of the provisions in this paragraph, VTBC shall have the right, without limitation on any other remedy available to it, to cancel the undelivered portion of any goods and services covered by order, and shall not be required to make further payments except for conforming goods delivered or services rendered prior to cancellation. Vendor shall not sell, dispose of or otherwise transfer (at retail, wholesale or otherwise) to third parties goods, articles or merchandise which bear VTBC's labels,

trademarks, logos or designs unless such distinctive identification have been completely removed.

20. The parties hereto agree that these terms and conditions and the rights of the parties hereto shall be governed by the laws applicable to contracts made and to be performed entirely within the State of Vermont. All disputes which arise in connection with or are related to these terms and conditions shall be resolved, if not sooner settled, by court proceeding only in Chittenden County, Vermont. Vendor agrees to said courts as the exclusive forum therefore and agrees to the exclusive jurisdiction of said courts for all such purposes.

21. The failure of one party to insist or enforce, in any instance, strict performance by the other party of any of the terms herein shall not be construed as a waiver or relinquishment to any extent of its right to assert or rely upon such terms or rights on any future occasion.

22. Vendor has read and understands these terms and conditions and agrees that either written acceptance or commencement of any work, service or shipping of goods under any order shall constitute Vendor's acceptance of these terms and conditions only. All terms and conditions proposed by Vendor which are different from or in addition to those set forth herein are unacceptable to VTBC, are expressly rejected by VTBC, and shall not become a part of these terms and conditions.

I acknowledge and agree to conform to the above terms and conditions.

Signature of duly authorized Representative

Company Name

Date

Social Compliance Requirements

The Vermont Teddy Bear Company and the Pajamagram Company are committed to a quality work environment for our employees. We feel that the physical and cultural conditions in which our products are created are as important as the product we produce. In turn, we expect you, our prospective partner, and manufacturer, to observe the same level of commitment. Due to recent revelations regarding the prevalence of sweatshop manufacturing practices, we are requesting that you confirm, in writing, that the following practices are not occurring in your manufacturing operations:

- Utilization of underage labor
- Subjection of employees to unsafe or unsanitary working conditions
- Subjection of employees to unreasonably long work hours and
- Payment of substandard wages.

In addition, we are requesting a statement of your policies regarding the above and how you ensure that your standards are being followed.

As a small company, our limited resources dictate our reliance on you to inspect your factories and subcontractors. If we discover that your company is not in conformance with our standards it could lead to termination of any and all purchase agreements that may be in existence now and in the future.

Please give this matter your most serious consideration and confirm your complete understanding at your earliest convenience.

Company Name: _____

Date: _____

Signature: _____

Title: _____