



February 25, 2004

Dear Vendor Partner,

As communicated in our 2004 Vendor Standards Manual (VSM) and accompanying information, we are implementing Electronic Data Interchange (EDI) capabilities. Our goal is to have all vendors tested and certified with initial EDI documents by July 1, 2004. After July 1, 2004 Party City Corporate Stores will use EDI for certain business documents. At this time Franchise stores will continue to use faxed PO's and paper invoices.

These initial VICS 4030 business documents are:

- 850 Purchase Order
- 810 Invoice
- 856 Advance Shipping Notice (ASN)
- 860 Purchase Order Change (for cancellation only)

Party City has partnered with Internet Commerce Corporation (ICC) as our EDI provider of choice to perform document certification and testing on your behalf, and as the sponsor of various connection options. There are several acceptable methods to trade EDI documents with Party City. Each method, including a summary, is listed below:

Value Added Network (VAN) – Commonly referred to as traditional EDI. Each company determines which VAN they will use and Kilo Character (KC) charges are billed by the VAN. KC charges can be expensive, especially for the number of documents required for our volume of business. A vendor choosing to use this method of EDI with Party City must pay **all** VAN related charges incurred by yourself and Party City.

Direct Connection – This eliminates the KC charges and the more costly expense of subscribing to a VAN. This is the most economical option and we (Party City) will pay our portion of the expense for costs associated with this option. **This is our preferred method of EDI and we will support it via AS2 technology.** Using this approach a vendor will be responsible for AS2 license fees and an ICC monthly fee. ICC will provide an AS2 licensed product for those vendors that are not AS2 capable.

Web-based EDI – A web-based solution generally involves manual or automated data entry onto a web form provided by a third party. Party City will provide a web-based solution via ICC for a monthly fee. It is a cost efficient, easy to implement, secure EDI solution, for smaller volume vendors that eliminates ongoing KC charges. Party City will pay our portion of the expense for costs associated with this option.

While all vendors must be tested and certified, priority will be given to those vendors with whom we currently trade the VICS 4010 810 document. All vendors will be required to be VICS 4030 compliant. Our next priority will be those vendors who choose to use the Direct Connection method, followed by traditional VAN and then vendors who choose the web based solution. Based on our determination, a communication letter will be sent to those vendors in each group as we sequence the testing and certification process.

The mutual efficiencies and improved accuracy, achieved by trading business documents via EDI, are substantial. However, should a Vendor choose not to trade these documents via EDI after the July 1, 2004 deadline, Party City Corporation will apply a \$5.00 assessment per Purchase Order and a \$5.00 assessment per Invoice against payment to offset the cost of manual processes. This assessment will apply to all Corporate POs and Invoices sent after July 1, 2004. Additional information including EDI

document specifications, communications options, trading partner setup forms and testing forms can be found on the ICC website at www.icc.net/partycity.

Please contact the Party City EDI Operations team at (973) (983-0888 x499) or email edisupport@partycity.com if you have any additional questions about the Party City EDI initiative.

Sincerely,

Miles Tedder
VP Logistics
Party City Corp