

Merchandise Information

Overview – Party City/Party America/The Paper Factory

This section outlines the general guidelines for Purchase Order (PO) requirements, product requirements, and UPC usage requirements. As we continue to integrate Party City and Party America and migrate to a new system, this section will be updated.

All contacts or forms referenced in this section can be found in the Appendix. The New Item Form is available on the internet at www.enabletrading.net.

Changes to Product Information

Any changes (i.e. to the pricing, product, discontinuation, UPCs, case packs, inner packs, product dimensions, shipping case dimensions, or packaging) must be stated in writing or e-mail and presented to the appropriate Merchandising Manager for approval. Notification of everyday item changes must occur 60 days prior to the effective date. Notification of seasonal item changes must occur 60 days prior to the expected order placement date.

PO Requirements

Our goal is to offer merchandise that presents value and is consistently in stock at a price to satisfy our customers. Vendor must verify the accuracy of, and adhere to, all data on all POs both corporate and franchise. If you have questions regarding a Corporate PO, contact Party City's Planning and Allocation Department. If you have questions regarding a New Store PO, contact the New Store Merchandise Coordinator (see contact list). If you have questions regarding a franchise PO, contact that specific store. Vendors must utilize the **"Ship To Bill To (S2B2)"** file to determine if an order is for a corporate or franchise store.

Purchase Order Confirmation (Corporate POs Only):

Vendors must be capable of receiving Party City POs and PO cancellations via Electronic Data Interchange (EDI) transmittals. For more information on EDI, reference Section 2. All vendors must be able to process EDI documents.

In order to achieve our goal of having the right merchandise at the right time, we must ensure our vendors ship the exact merchandise and quantities ordered on a PO. Listed in this section are ways we can achieve our goal:

- Vendor must be in receipt of a valid PO prior to shipping any product. The PO number must not be modified in any way.
- Terms and Conditions, contained in Section 9, apply to all POs. The terms and conditions may be supplemented or amended by specific terms and conditions incorporated on a specific PO.

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- Vendor must be aware of expected receipt dates, in-store dates, cancel date, pre-paid or collect, ship to bill to, or other conditions which may vary based on the source of the PO (corporate or franchise). Vendor must execute the terms and conditions (including the ship to location on the PO) on each individual PO.

Changes to PO Information

Changes to a PO can include changes to line item quantity, delivery date, etc. These changes will be reflected through a cancelled PO and issuance of a new PO. If you are unable to fill an everyday PO, contact the Merchandise Manager via e-mail for a cancellation or extension, seven days prior to the first ship date for approval. Requested changes to seasonal POs must be communicated in writing within seven calendar days of the PO request. Verbal agreements are not acceptable.

An authorized Party City representative will submit all Party City initiated PO changes, including cancellations, to the vendor in writing or e-mail. Associates in the Merchandising Department, Planning and Allocation Department, and New Store Merchandise Team are authorized to make changes to POs. PO changes include PO cancellation requests. If a line item(s) needs to be changed, the PO will be cancelled and a new PO will be generated.

Party City/Party America will not accept shipment of substitute items unless pre-approved in writing by a Merchandise Manager and followed by a new PO for the substituted items. Refer to Reimbursement and Waiver Policy, Section 8, for substitute item reimbursement charges.

UPC Codes

All vendors are required to join the Uniform Code Council (UCC) in order for products to be UPC source marked. A scannable UPC must be securely attached or clearly printed on every item or item package. All Halloween costumes must be UPC coded by size (and color where appropriate) for all orders. Party City recommends you never reuse UPC codes. If unavoidable, you must wait a minimum of 48 months before re-use and notify Party City.

As a reminder, effective January 2005, all trading partners must comply with the Global Trade Item Number (GTIN) standards and allow for a 14 digit UPC code. If you have questions on this standard visit the Uniform Code Council website at <http://www.uc-council.org> and look for the GTIN Implementation Guide.

Product Samples

Product samples must be sent within 72 hours of a Merchandise Manager's request. **All samples must be clearly marked with the vendor item number, recipient's name, and/or description.** All samples are to be shipped to the attention of the requesting person using the following address:

**Party City Corporation
25 Green Pond Road, Suite 1
Rockaway, NJ 07866**

Party City will not pay for samples, shipping charges, import charges, or return samples (select sample returns can be done on a limited basis with the written pre-approval from a Merchandise Manager and call tags or package return label). Product samples, if late, may be subject to penalties as defined in the Reimbursement and Waiver Policy, Section 8. In addition, incorrect Plan-O-Gram (POG) dimensions may be subject to penalties as defined in the Reimbursement and Waiver Policy, Section 8.

New Store Merchandise Requirements

Over the next several years Party City will be opening new stores. Vendor partner support in opening new stores is critical to our success.

New Store Orders:

- Shipping a new store PO indicates the vendor’s agreement to the requirements and terms as outlined in the VSM.
- Our goal for all new store POs is a fill rate of 100%. Purchase orders are generally written far enough in advance to accomplish complete fill.
- If the initial order has a fill rate below 100%, the new store will accept one back order before canceling the PO. Back order must arrive before the end of the arrival window. Fill rate measurements will be calculated on combined shipments tendered during the arrival pick up window.
- Some orders may require small quantities of certain items to be shipped loose in larger boxes. When this happens vendor should ship all like items for a PO in the same box, packed together, to the degree possible. This minimizes damages and improves receiving accuracy at our stores.
- Orders not meeting our fill rate requirements as outlined in Section 8 will be subject to penalties as listed in the Reimbursement and Waiver Policy of Section 8.

Corporate Everyday and Replenishment/Re-Order - POs will contain the following dates. No back orders are allowed on Everyday and Replenishment/Re-Order POs.

Everyday and Replenishment PO Dates (Party City Only)			
Data Field on Party City PO	Definition	Data Fields on EDI 850 PO	850 Code
Release Date	Date PO released by Party City	PO Date	
Expected Receipt Date	The date specified by Party City of when the merchandise is expected to be delivered to the Party City location.	Delivery Requested	002
In Store Date	The date specified by Party City of when the merchandise is expected to be delivered to the Party City location.	Delivery Requested	002
Cancel By Date	In Store Date plus 3 days.	Cancel if not Delivered by Date	001

- The first date in the arrival window is equivalent to the **“Expected Receipt Date”**. The second date in the arrival window is equivalent to the **“In Store Date”**. It is the vendor’s responsibility to ship or tender orders in a timely manner to ensure product arrives within the window. Orders received after the In Store Date will be subject to charge-backs. Refer to Reimbursement and Waiver Policy, Section 8, for delivery reimbursement charges.

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- Basic replenishment orders must be shipped according to our routing guidelines, with no back orders, and a one-time minimum fill rate as stated in Section 8. Fill rate measurements will be calculated on combined shipments tendered during the arrival/pick up window.
- Shipments must be consolidated so deliveries to the same location do not occur on consecutive days of a week. Orders not meeting our minimum fill rate will be subject to penalties as listed in the Reimbursement and Waiver Policy, Section (8).
- Vendor must ship replenishment orders to arrive at the store by the requested delivery date.

Seasonal and New Store - POs will contain the following dates. Party City will accept one back order shipment on Seasonal and New Store POs.

Seasonal and New Store Corporate PO Dates (Party City Only)			
Data Field on Party City PO	Definition	Data Fields on EDI 850 PO	850 Code
Release Date	Date PO released by Party City	PO Date	
Expected Receipt Date	The date determined by Party City as the earliest date the merchandise can arrive at the Party City location.	Do Not Deliver Before Date	064
In Store Date	The date determined by Party City as the last date the merchandise can be delivered to the Party City location.	Do Not Deliver After Date	063
Cancel By Date	In Store Date plus 3 days.	Cancel if not Delivered by Date	001

- All Seasonal shipments must conform to the specified Party City Seasonal-receiving window, unless otherwise noted on the PO. Franchise POs may frequently request a date different than a corporate arrival window. However, if **“ASAP”** or if no date is provided on a franchise PO, use the corporate receiving window. Shipments arriving outside of the window are subject to a reimbursement charge. If you are going to miss the receiving window you must contact your Party City Merchandise Manager or P&A Manager.
- Every new store will have an arrival window for receiving merchandise. The first date in the arrival window is equivalent to the **“Expected Receipt Date”**. The second date in the arrival window is equivalent to the **“In Store Date”**. The arrival window will begin approximately 3 to 4 weeks prior to a new store opening to the public. It is the vendor’s responsibility to ship or tender orders in a timely manner to ensure product arrives within the window. Orders received after the In Store Date (arrival window) will be subject to charge-backs. Refer to Reimbursement and Waiver Policy, Section 8, for delivery reimbursement charges.
- All seasonal and non basic orders must have a minimum fill rate as stated in Section 8 and should not exceed two shipments per PO during the shipping window: one initial shipment, and one back order shipment. Fill rate measurements will be calculated on combined shipments tendered during the arrival/pick up window.

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- Shipments must be consolidated so deliveries to the same location do not occur on consecutive days of a week. Orders not meeting our minimum fill rate will be subject to penalties as listed in the Reimbursement and Waiver Policy, Section (8).
- Vendor must ship replenishment orders to arrive at the store by the requested delivery date.
- Stores will not accept cash on delivery (COD) shipments unless prior written arrangements are made.
- Stores, including franchise, are not liable to receive any merchandise tendered past the arrival window dates.
- For the purposes of calculating vendor minimums, the total cost (or weight) of all POs destined for a single location will be used. For example, the total combined weight or cost of multiple orders for 10 stores destined for a Distribution Center, must meet the vendor minimum as a group, not each individual PO.
- In the event the quantity ordered does not match the quantity shipped on a PO, the quantity ordered on a PO will be used to calculate the vendor minimum.

Refer to Reimbursement and Waiver Policy, Section 8, of the VSM for a full listing of reimbursement charges.

Merchandise Information**Overview - Amscan**

This section outlines the general guidelines for Amscan Purchase Order (PO) requirements, UPC usage requirements, and new product quoting and approval process.

Amscan's PO Requirements

Vendor must verify the accuracy of, and adhere to, all data on all POs that are faxed or sent electronically. If you have any questions regarding your PO, contact Amscan's Inventory Department.

Purchase Order Confirmation

Currently our Inventory Department sends a number of POs (both everyday and seasonal) to our vendors. An e-mail confirming receipt of all POs must be sent within 48 hours to the Amscan Inventory department.

The confirmation must include following:

- PO #
- Item #
- Quantity
- Cost
- Ship date

Purchase Order Shipments

- Vendor must be in receipt of a valid Amscan PO, including a PO number, prior to shipping any product. The PO number must not be modified in any way.
- Terms and Conditions, contained in Section 8, apply to all POs. The terms and conditions may be supplemented or amended by specific terms and conditions incorporated on a specific PO.
- Vendor must be aware of expected ship dates and specific shipping contract instructions (per the Amscan Traffic Manager). Vendor must execute against the terms and conditions (including the ship to location on the PO) on each individual PO.

Changes to Vendor Information

Documentation must be e-mailed or faxed, and signed by a senior officer of your company. All changes must be received 14 days prior to their effective date. Changes would include, but are not limited to:

- Change in remittance address
- Change in company name
- Change in company ownership: If a change in ownership occurs and the new owner is not currently in our vendor file as an authorized vendor, the company will be considered a new vendor and will be required to complete a New Vendor Package - NVP.
- Change in legal structure
- Bankruptcy Filings
- Change in "Return to Vendor" address

- Change in Shipping address

The letter communicating changes must contain the following information:

- Your company name and Amscan vendor number
- Statement of the change being communicated
- Signature of a senior vendor officer or agent

Written notification of changes must be sent to:

Amscan Inc.

Attn: Julie Ulacco

Coordinator- Vendor Relations

80 Grasslands Road

Elmsford, NY 10523

Do not send any vendor updates or changes to Amscan Product Managers. Amscan Product Managers cannot approve or process any vendor changes.

Amscan reserves the right to hold payments pending receipt of this documentation.

Changes to Product Information

Any changes (i.e. to the pricing, product, UPCs, case packs, inner packs, product dimensions, shipping case dimensions, or packaging) must be stated in writing or e-mail and presented to the appropriate Product Manager for approval.

Changes to PO Information

Any changes to the Purchase Order ship date needs the approval of the Inventory manager who issued the Purchase Order.

Purchase Order Cancellation

Amscan reserves the right to cancel a Purchase Order or request expedited shipping if the PO ship date is not met.

UPC Usage Requirements

Accurate item information is critical for Amscan to service our customers and effectively manage inventory. A scannable UPC must be securely attached or clearly printed on every item or item package, inner pack and master carton.

New Product Quoting Process

Vendors are required to submit all new product quotes to the Amscan Product Development team on the standard Product Quote form. (see appendix for Product Quote form)

Product Development, Product/Package Approval Process

In an effort to better facilitate the development and sourcing process a coloring system to guide the vendors through the development/sourcing at different stages has been established. Vendors are required to follow these requirements when making a submission. Unacceptable or inappropriate labeling, quantity, or samples will be rejected and resubmission will be required.

White Tag

At this stage vendors are required to submit preliminary samples close to our design concepts or formats. Samples may be submitted in substitute color, material, size or even construction. All samples must have a white manila tag or with a white label attached with an accompanying quote. The quote must be sent on the Amscan standard template where vendors are required to fill in the necessary columns. Samples processed through the Hong Kong office will have the samples and costs sent to product managers for screening and selection by Amscan. Samples not processed through the Hong Kong office are to go directly to the appropriate product manager in the United States.

In some cases where there is a potential safety hazard, vendor may be requested to submit existing testing report for review. Items including cosmetic or firework power composition require a Material Safety Data Sheet (MSDS) be sent for review prior to sending samples for selection.

Yellow Tag

At this stage product managers will confirm sample and cost with final vendor selection. Artwork will be sent directly to vendors via the FTP site or by Compact Disc, dependent on vendor's request. Upon receipt of the artwork, vendors are to confirm final quote based on the artwork specifications. Vendor must immediately communicate and explain any cost variations. Vendors must follow the mechanical art for both product and package in order to proceed with creation of samples for final approval. It is expected all vendors will submit samples no more than 2 weeks upon receipt of the artwork. Vendors are to label the samples with yellow manila tag or yellow label.

If the Hong Kong office is involved with the development of an item, they will help review the yellow tag samples and confirm the sample matches item specification prior to sending samples to product managers for final approval. Rejected samples will require the vendor to re-submit the sample.

During the same time period samples will be requested for Plan O Grams and testing. The Plan O Gram request are 12 pieces for bulk and 3 sets for packaged items. For testing, the requirement is six pieces, refer to the Quality Assurance section for more information. These samples do not need to be Yellow Tagged but need to be marked for its intended purpose upon sending.

When yellow tag samples are approved by product managers in the U.S. office, an approval/comment sheet will be sent to vendors via email. This document will specify one of the three statuses for the product or package:

- **Approved** – product/package is approved as is and the vendor can proceed with production.
- **Approved With Changes** – the vendor must make the requested changes detailed in the proof sheet and may then proceed with production without first sending a new sample for approval. This is only when time is of the essence and another round of samples/proof sheets will slow production and jeopardize the delivery window.
- **Requires Changes** – the vendor must make the requested changes detailed in the proof sheet and submit another sample for approval. **The product/package is not yet approved for production.**

When the Hong Kong office initiates the development of an item, they will sign and send back to the vendor one piece of an approved sample for vendor to follow for production and inspection reference.

Green Tag

At this stage, vendors are to go into production and are also required to take samples from the production line and send to the Hong Kong office for review. Vendor is to label the samples with green manila tags or green labels for submission. The green tag samples will be compared against the

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approved yellow tag samples and checked for any variance that may occur during production stage. For production samples with a variance falling within an acceptable limit, the Hong Kong office will sign and return one unit of a green tag sample to vendors as an inspection reference. If the variance falls beyond the acceptable limit, the U.S. office will provide final determination and advise of the results back to vendors. No initial shipment of an item is allowed without the green tag approval.

Our target is to finalize the testing with pass result prior to initial production. Vendor is obliged to make sure the product meets all US Federal safety regulations. No shipment is allowed without a pass testing report from the Bureau Veritas laboratory (refer to section 4 Quality Assurance). The only exception to this is for items that do not have a testing protocol and do not need to be tested for compliance with the CSPC. We will advise if an item does not require testing.

Inner Sample

For the initial shipment of an item, one full inner must be sent to the U.S. office to the attention of the appropriate product manager, at the time of production.

Sample Costs

Amscan will not pay for samples or any courier charges.