

June 2007**Page 1 of 12**

It is extremely important that merchandise be received in properly. Should certain procedures not be followed (e.g., checking for open containers, counting the number of boxes), thousands of dollars are at risk. It is the store manager's responsibility that all personnel involved in receiving merchandise are well-trained and knowledgeable in all of the steps required to receive merchandise properly.

Proper procedures for receiving merchandise are described in this section. This pertains to merchandise received from the distribution center, merchandise received from another store (store transfers) and merchandise received directly from a vendor (drop shipments).

PROCEDURES:

1. General Information

It is important to consider and follow the General Information procedures when accepting items from the freight carrier/delivery service. Proper use of this information will help protect us from losses due to freight company errors or mishandling.

a. Identification of Cartons -

Check the labels on all cartons to make sure that each carton belongs to your store. Do not accept any cartons which do not belong to your store; have the driver reload them on his truck and take them back for delivery to the correct location.

b. Inspection of Cartons -

Inspect each carton carefully. Ask the following questions for each carton; if you answer yes to any of these questions, proceed to the Overage, Shortage & Damaged procedure (c.) on the next page.

June 2007**Page 2 of 12**

- (1) Has the carton been re-taped?
- (2) Is the carton crushed or damaged?
- (3) Is the carton wet?

If you answer no to all of the above questions, proceed to the Freight Bill procedure (e.) on page 3 of this section.

c. Overages, Shortages and Damages (O, S & D) -

- (1) Carton discrepancy -

If there is a discrepancy in the number of cartons you receive versus what the freight bill shows to be delivered, make a notation on the freight bill of the exact number of cartons received before signing the freight bill.

Immediately notify the Distribution Center by phone of the nature of the discrepancy as well as the freight bill number.

- (2) Visible damages (apparent at the time of delivery) -

If there is any damage to or retaping of any of the cartons, make a notation on the freight bill as to the exact nature of the damage for each carton that is damaged or re-taped. Keep the cartons intact until the proper OS&D procedure has been completed.

Immediately notify Olga, Lorena or Morty at the Distribution Center management by phone of the nature of the damage as well as the freight bill number.

- (3) Concealed damages (damage discovered after the freight

June 2007**Page 3 of 12**

company has been given a clear freight bill) -

If carton contents are discovered to be damaged after the freight company's driver has left the premises, immediately notify the Distribution Center of the nature of the damages.

You must keep the carton and contents intact as received until you have notified the Distribution Center.

d. Inside Deliveries -

The delivery driver is obligated to bring the cartons inside your store but no more than 10 feet inside. Any special request by you of the driver will expose you to accessorial charges. If the driver refuses to bring the cartons inside your door within 10 feet, call the Distribution Center management.

e. Freight Bill (Delivery Receipt) -

(1) Signing the freight bill -

Once the cartons have been identified and inspected, you must sign for the freight you are receiving. If you have an O, S & D situation, make the necessary notations as per the O, S & D procedures (see procedure (c.) on page 2 of this section).

The following must also be noted on the freight bill:

- Actual number of cartons received.
- Date of the receipt
- Signature of person who received the cartons.

(2) Documentation -

You must get a copy of the signed freight bill for our

June 2007**Page 4 of 12**

records; exceptions to this would be UPS, RPS or Federal Express which do not use freight bills.

2. Receiving Merchandise

a. Receiving Shipments from the Distribution Center -

Shipments received from the Distribution Center must be checked in and on the sales floor and paperwork completed within 24-48 hours (depending on season) of receipt.

There are three (3) important tools that are needed to help successfully check in your shipment:

- Freight bill from the trucking company (see example on page 6 of this section).
- Store Shipping Labels with carton number, one per box.
- Carton # Manifest Printed from the Intranet (see example on page 7 of this section).
 - a. Select the Inventory tab on the Intranet Home Page.
 - b. Select the DC Only Freight Bill report.
 - c. Highlight your Store #, click Submit.
 - d. Find the correct shipment on the list and click the blue P button.
 - e. Print the manifest.

The following are the steps involved in receiving merchandise shipped from the Distribution Center:

June 2007**Page 5 of 12**

- (1) Accepting cartons from freight company -
 - (a) Get the freight bill from the truck driver.
 - (b) Follow the directions for identifying and inspecting the cartons as outlined in the General Information section at the beginning of this procedure.
 - (c) Sign freight bill per instructions in "General Information" section of this policy.

If you find cartons that do not belong to your store, have the truck driver take them back. Do not accept cartons that do not belong to your store.

- (2) Verify receipt of each box by carton #.

Using the Carton Number Manifest printed from the Intranet, check off each carton on the manifest by putting a check mark adjacent to each carton #. Complete this process for each pallet / carton # manifest.

- (3) Acknowledge receipt of shipment through the Intranet.
 - (a) Select the Inventory tab on the Intranet Home Page.
 - (b) Select DC Daily Freight Bill report.
 - (c) Click the blue R adjacent to the shipment, to acknowledge receipt.
 - (d) If any cartons or pallets were missing contact Olga, Lorena or Morty at the DC.
- (4) Mail the freight bill and a copy of the Carton # Manifest to the Home Office, Attn: Distribution Center.

June 2007

Page 6 of 12

Example Freight Bill

[illegible]

Example

RECEIVING PROCEDURES

Policy No. 7.06

June 2007

Page 7 of 12

Sun & Ski Sports

Fright Bill Manifest Fright Bill: 0577063621

Home> Selection> This Page.

Store	28	Carrier	CENTRAL
Status	Shipped	Shipping Date	06/11/2007
Comment:			
Number of Pallets	2	Number of Cartons	36
Number of Items:	272		
Divisions:	85 71 86 40 91 70 92 60 89 93 20 2 87		

Pallet					Number of Cartons				
21196					29				
Cartons									
Carton	Weight	Item Quantity	Description	Divisions	Carton	Weight	Item Quantity	Description	Divisions
0889723	20	1		85	0889724	20	1		85
0889725	20	1		85	0889810	20	1		85
0889811	20	1		85	0889812	30	2		85
0889813	25	1		85	0889814	20	1		85
0889815	20	1		85	0889818	20	1		85
0889819	20	1		85	0889820	20	1		85
0889821	20	1		85	0889822	20	1		85
0889901	20	25		71 86 40 91 70	0889906	20	53		70 92 60 91 71 86
0889911	15	36		60	0889913	30	11		40
0889916	20	26		86 85 40 91 89 92 93 71	0889919	30	16		40 86 85
0889925	30	2		86	0889927	20	15		20 92 85
0889928	30	9		93 85	0889932	20	11		85 91 89 2
0889934	20	9		2 85 92	0889938	22	11		40 20 71 93 85
0889941	22	8		85 86 40	0889943	30	13		85 2 40
9280779	25	0			---				
Pallet					Number of Cartons				
21205					7				
Cartons									
Carton	Weight	Item Quantity	Description	Divisions	Carton	Weight	Item Quantity	Description	Divisions
0887754	20	1		89	0889756	40	1		85
0889816	35	2		85	0889817	35	2		85
0889882	20	2		85	0889935	25	4		87 93
9280777	15	0	Special Order -		---				

Division List:

85 - WATER SPORTS
71 - SURF/SKATE APPAREL
86 - INLINE SKATES
40 - FOOTWEAR
91 - CASUAL SPORTSWEAR

June 2007**Page 8 of 12****b. Receiving Shipments from Vendors (Drop Shipments) -**

The following instructions outline the procedures for receiving a drop shipment from a vendor.

(1) Drop Shipment Packet -

You will receive a "Packet" for each vendor's purchase order to be drop-shipped to your store. It will include a receiving worksheet for each purchase order and merchandise price tickets:

(2) Drop Shipment Filing -

Set up a central place for all your drop shipment packets. File them in vendor name order for easy retrieval.

(3) Receipt of Boxes from the Freight Company -

Follow all procedures in Section 1, "General Information."

(4) Checking in a Drop Shipment -

(a) Retrieve drop shipment packet from filing cabinet. If you do not have a drop shipment packet for this order, call the appropriate buyer at the Home Office immediately.

(b) Open all boxes and separate the merchandise by style, then by color, then by size. Do not attempt to start counting merchandise until the entire shipment is unpacked and separated.

(c) Locate packing list provided by the vendor.

(d) Identify and count first item. Write count on receiving worksheet.

June 2007**Page 9 of 12**

Note: Do not use tick marks on the receiving worksheet. If you need to use them, use a separate sheet of paper.

- (e) With the packing list, verify that the quantity of the item you just counted corresponds with the quantity the vendor claims was shipped. If the quantity matches, circle it on the packing list. If the quantity does not match (over or short), make a notation on the packing list by writing in the quantity you actually received.
- (f) Once the quantity for that particular item has been verified and is written on the receiving worksheet, locate the tickets for that item, and ticket that item. "Ticket" merchandise through the manufacturer's label in the back of the neck. "Label" prepackaged merchandise where it can be seen, but do not hide pertinent information about the product from the customer.

Note: If you have tickets left over, make sure all of the units of that item was ticketed. Check the receiving worksheet to verify you have the correct amount of tickets left over. Place the remaining tickets back in the drop shipment packet.

- (g) Once that item is counted and ticketed, move on to the next item. Follow these instructions (d) through (f) until all items have been counted, ticketed, and counts are verified on packing list.
- (h) If you are unable to match an item listed on the packing slip to the drop shipment worksheet, or if you received "Overages" (more quantities than on order

June 2007

Page 10 of 12

per item), fill out the Drop Shipment Substitution/Overage/Damage Form: **Form # and where to get**

- STORE#: Your store number.
- DATE: The date the P.O. was received.
- VENDOR NAME: The P.O.'s vendor name.
- P.O. #: BY: The P.O. number.
- List: Style#, description, color, size, and quantity of each item not listed on the Drop Shipment Worksheet

Scan and email this form to appropriate buyer at the Home Office immediately. This form will then be reviewed by the buyer to determine if these goods should be kept or returned. Upon making a decision, the form will be sent back to your store with short SKU numbers for each item, and instructions on what to do with the merchandise.

Note: "Overages" are quantities that are above what you need to complete that item on your purchase order. Only the balance or "overages" should be reported on the Substitution/Overage/Damage Form. The merchandise that completes your purchase order should be handled as per instructions (f) through (h).

- (i) If you have damaged items, determine whether they are manufacturer's defects or not. If the goods are manufacturer's defects and can be returned, follow the instructions in (j). If the goods are not manufacturer's defects (i.e., damaged by employee or freight company), follow these instructions (f) through (h), then follow the same procedures as you would for RTV's.
- (j) Once all items have been completed as per above

June 2007**Page 11 of 12**

instructions, fill out the remaining information at the top of the Drop Shipment Worksheet under the appropriate receiving column (i.e., first, second, or third receiving).

- Date rcv'd: The date the order was received.
- # of boxes: The total number of boxes received.
- Checked by: Initials of the person checking the order.
- P/S qty: Total quantity on the Packing Slip.
- Qty rcv'd: Total quantity listed on the worksheet.

(5) Completing Drop Shipment -

All drop shipments need to be checked in and acknowledged within 48 hours of receipt, including ticketing the merchandise and mailing the paperwork. This is very important. In some cases we have a limited amount of time to notify vendors of receiving problems. To complete a drop shipment -

- (a) The top copy of the Drop Shipment Worksheet, the Packing Slip, Substitution Form (if applicable), and the Freight Bill should be stapled together and returned to the Home Office via USPS upon completion of checking in, but no later than 24 hours after receipt
- (b) The remaining carbon copies of the Drop Shipment Worksheet and the remaining tickets/labels should be placed back in the drop shipment packet.
- (c) Re-file the drop shipment packet by vendor.

c. Receiving Shipments from other Stores -

Refer to Policy No. 7.09 Store Transfers, for a full explanation of this policy.

June 2007**Page 12 of 12**

- d. Receiving Shipments from Vendors of Repaired RTV Merchandise-

Refer to Policy No. 7.08 Return to Vendor Procedures, for a full explanation of this policy.