

Policy on Overruns, Cancelled and Irregular Product

Overruns

This policy applies to all Kate Spade & Company brands.

All Source Orders must be shipped complete with the following tolerances:

Orders Less than 1000 pieces +5 / -5%

Orders 1000 pieces or over +5 / -5%

All Direct Shipment to customers (whse GSI and JWH) must be shipped 100% complete by size.

Any Source Orders outside of these tolerances must be approved by the respective division in advance of the shipment.

Step	Action
1	Deface all main labels and remove all Kate Spade & Company identification from the product, except logo buttons, embroidered treatments, etc., which are not readily removable. Refer to the Defacing of Labels on Non-Conforming Product section (p.3) .
2	Hold seasonal goods for 150 days beyond original ex-factory date. Release dates for ongoing or replenishment product must be provided in writing, by the V.P. of Manufacturing of the appropriate division.
3	Garments must remain and be sold within the country of origin. Garments cannot be transshipped to another country for disposal or resold to a third party via an internet transaction.
4	Once provisions of Step 1-3 have been met, contractor may dispose of goods without further notice.

Late Goods

This policy applies to all Kate Spade & Company brands.

Purpose The purpose of this procedure is to specify the necessary actions for goods received goods that are received outside the original purchase order terms.

Schedule This procedure is performed when goods are received by Kate Spade & Company on a date later than agreed to on the original purchase order.

Procedure Comply with the following procedure for handling late goods:

Step	Action	
1	Use the following table to determine the appropriate action:	
	If lateness is caused by...	Then...
	Kate Spade & Company	Provided such lateness is fully documented in ongoing and regular communications, Kate Spade & Company is obligated to accept such goods under original Purchase Order terms.
	Contractor	Refer to the "Overruns" section procedure.

Irregular Goods

This policy applies to all Kate Spade & Company brands.

- Purpose** The purpose of this procedure is to determine the appropriate actions to be taken when the inspection process discovers irregular merchandise.
- Schedule** The procedure should be followed any time irregular merchandise is discovered through the inspection process.
- Procedure** Comply with the following steps to determine the appropriate action for handling irregular goods:

We do not accept irregulars as part of F.O.B. or L.D.P. shipments.

Step	Action	
1	Kate Spade & Company reserves the right to review and amend all contractor designated merchandise categories.	
2	Use the following table to determine the appropriate action:	
	If...	Then...
	The garments are deemed "thirds". (having fit, fabric or construction faults so egregious as to undermine the reputation of Kate Spade & Company in the eyes of the consumer.)	These garments will not be accepted by Kate Spade & Company but they may be offered for sale by the contractor, providing there is absolutely no Kate Spade & Company identification.
	The garments are deemed to be "thirds" and is embroidered or has Kate Spade & Company logo's or identification permanently affixed.	These garments must be destroyed. The contractor is obligated to provide proof of such to Kate Spade & Company and under no circumstances can they be offered for sale.
	The merchandise is deemed to be irregular.	This merchandise may be offered for sale to Kate Spade & Company who is under no obligation to accept sale. If Kate Spade & Company declines to purchase, the contractor may offer for sale to outside parties per the "Overrun" section procedure.

Defacing of Labels on Non-Conforming Product

Types of Defacing

There are three different methods for defacing labels:

Photo	Type of Label	Description
	<p>Top sewn main labels into seams</p>	<p>These labels must be cut or slashed.</p>
	<p>Side sewn labels</p>	<p>These labels must be cut or slashed.</p>
	<p>Labels sewn on all four sides.</p>	<p>These labels must be marked with a large "X" using a black permanent marker.</p>

Record Retention

Responsibility It is the responsibility of each divisional V.P. of Manufacturing to maintain accurate records and correspondence of all non-conforming product transactions.

Note: Records must be retained for 18 months before discarding.

Glossary of Terms

Term	Description	Term	Description
ASN	Advance Shipment Notice	IRR	Irregular garment
AS2	Applicability Statement 2	ISDN	Integrated Service Data Network
ASTM	American Society for Testing and Materials.	ISO	International Standards Organization
AQL	Acceptable Quality Level	KTS	Knitwear Technical Services
BOL	Bills of Lading	KS & C	Kate Spade & Company
BHT	Butylated Hydroxy Toluene	L/C or LC	Letter of Credit
CAP	Corrective Action Plan	MILSTD	Military Standard
CAR	Corrective Action Request	MIS	Miscellaneous Costs
CB or CBK	Center Back	MPD	Master Processing Document
CF	Crease Free.	MSDS	Material Safety Data Sheets
CIB	Carton Identifier Barcode	NAFTA	North American Free Trade Agreement
COVE	Country of Origin Verification and Evidentiary Program	NJO	New Jersey Office
CQA	Contractor Quality Analysis	NOX	Nitrous Oxide
C/T or CT	Cutting Ticket	NRF	National Retail Federation
CTL	Consumer Testing Laboratories	O/S or OS	Outer Seam or outseam
CWF	Cool White Fluorescent	OSC	Overlap Slotted Container
DAP	Design Approved Proto	PLT	Production Lead Time Control
DC	Double Cover Box	PO	Purchase Order
DSC	Design Style Box with Cover	PQA	Product Quality Analysis
EDI	Electronic Data Interchange	PWO	Planned Work Order
FCSF	Factory Compliance Short Form	QA	Quality Assurance
FOL	Full Overlap Slotted Container	QC	Quality Control
FPF	Five Panel Folder	R & D	Research and Development
FPLA	Fur Products Labeling Act	REW	Rework
FTC	Federal Trade Commission	RLSD	Released Passed Inspection
GOH	Garments On Hangers	ROI	Return On Investment
GOHF	Garments On Hangers packed Flat	RSC	Regular Slotted Carton
GP	Gripper	RTV	Return To Vendor

KATE SPADE & COMPANY

GS1US	Global Standards 1 (formerly UCC)	SO	Source Order
HLCC	Home Laundering Consultative Council	SPEC	Specifications
HQ	Headquarters	SPC	Statistical Process Control
HSC	Half Slotted Box with Cover	TE	Technical Engineer
H/T or HT	Hangtag	TFPIA	Textile Fiber Products Identification Act
ILO	International Labor Organization		
INSP	100% Inspection of garments		

Term	Definition
TM	Trade Mark
TP	Testing Process
TPID	Trading Partner Identification Number
TPL	Tariff Preference Levels
UCC	Uniform Code Council- now called GS1US
UPC	Universal Product Code
UWA	Use With Allowance
USD	United States Dollar
VANS	Value Added Networks
VAV	Vendor Advisory
VICS	Voluntary Inter-industry Commerce Standards
WOR	Work Order Request
WPLA	Wool Products Labeling Act
1PF	One Piece Folder