

Save Mart Supermarkets Corporate Reclamation Process

The primary goals of Save Mart Supermarkets' Reclamation Program are to provide products of the highest quality to our customers, reduce unsaleable product, and minimize the cost of reclamation while maximizing its efficiencies. The company's reclamation program applies to unsaleable national brand product across all Save Mart Supermarkets banners. These banners currently include Save Mart, S-Mart, Lucky, FoodMaxx, and Maxx Value stores, as well as our distribution centers located in Merced, Roseville, and Vacaville, California.

Unsaleables are defined as consumer products which are removed from the primary channel of distribution for any reason. Types of unsaleables include (but are not limited to):

- Unlabeled, mislabeled, soiled, moldy, or defaced packages.
- Improperly sealed, broken, crushed or dented cans or packages.
- Swollen or leaking packages or cans.
- Spoiled or perishable frozen/refrigerated product.
- Product whose expiration date provides fewer on-sale days than permitted by Save Mart Supermarkets quality assurance standards.
- Manufacturer withdrawals or recalls.

It is only through the commitment and shared responsibility of our suppliers and manufacturers that we will be able to reach our reclamation goals. It is our expectation that:

- All unsaleable products will be processed through the reclamation center without regard for the type of manufacturer reimbursement policy, **with the exceptions listed below:**
 - Direct Store Delivery goods which are not distributed through Save Mart Supermarkets distribution centers.
 - Chemical-containing products which can be identified as hazardous waste under federal, state, and local regulations. Within the state of California, this includes expired over-the-counter medicines and supplements. Such products will be managed at the store level using a third-party vendor licensed in the proper handling and disposal of these products. Suppliers will not have the option of reclaiming these products.
 - Other controlled or regulated products including, **but not limited to**, those containing the ingredients ephedrine and pseudoephedrine (PSE). Unsaleable product containing PSE is kept secure at the store level until it can be sent with a clear chain of control to our distribution center for final processing.

Please note that there may be other products for which the reclamation center is not an option.

- The reclamation center will be used for the efficient consolidation and control of non-damaged product as mutually agreed upon by the trading partners.
- Manufacturers, distributors, and other trading partners will collaborate on efforts to reduce the quantity and cost of unsaleables throughout the supply chain.
- All trading partners will use information on product condition to identify and investigate where and how unsaleability occurs in the supply chain, whether it is to identify and correct manufacturer responsibilities such as packaging, or distributor responsibilities such as handling.

Shared Financial Responsibility

The intent of our reclamation program is not to enhance profitability for either the manufacturer or distributor. We expect manufacturers to devise a compensation system for certain cost components that provides for creditable, fair, and non-discriminating practices for all customers regardless of store size, format, and geographic location.

Suppliers of returned product will be responsible for, in addition to the list price of returned product, pre-damage direct costs, post-damage handling costs, and reclamation center costs.

Pre-damage costs are those costs incurred from the point Save Mart Supermarkets receives the product to the time it reaches the store. Such costs include warehouse handling and storage, transportation to the store, and shelf stocking.

Post-damage handling costs are those expenses to remove the unsalable goods from the shelf and transport them to the reclamation facility.

Reclamation Center Costs (RCC) are the actual expenses, such as handling and storage, incurred to process product through the reclamation center

Shipping and Invoicing

1. Shipping

Products shipped from the reclamation center will be at the supplier's expense. Proof of delivery is the responsibility of the supplier. (Save Mart Supermarkets will furnish shipment information upon written request by the supplier.) The supplier must furnish any special handling or shipping containers. The supplier must contact the reclamation center in writing to make arrangements for disposition of product. Supplier pick up or return requires a preferred carrier and arrangements for pallet exchange at the time of pick up.

2. Invoicing

Reclamation invoices will be made available to the Supplier via a third-party website: www.cls.inmar.com. Payments due to Save Mart Supermarkets under this policy are collected, when possible, via deduction from vendor invoices. We offer payment via draft

for discontinued, seasonal, or non-deduct vendors, with the expectation that the invoice be paid 30 days after billing. All inquiries regarding reclamation invoices must be made in writing not more than 120 days from the date of the invoice. If the Supplier does not dispute the invoice within the 120 day period, they waive the right to dispute the invoice.

Products Restricted from Reclamation

For products that are restricted, (e.g., products containing PSE or products identified as hazardous waste) Save Mart Supermarkets will accept reasonable spoils allowance applied to initial cost of goods. These measures are intended to simplify the disposal process and will supersede individual supplier disposal requests.