**VENDOR POLICIES**
The following polices are in place for Sprouts Non-Perishables Departments: Grocery, Dairy, Bulk, Frozen Foods, Vitamins, Health and Body Care, Mercantile and General Merchandise. Signature on the New Item Form or New Vendor From indicates acceptance of the policies below for the Non-Perishable Departments.

**NEW ITEM FREE FILL**

**Free Fill:** A program in which the vendor agrees to provide Sprouts with free product to put on the shelf and/or billing deduction in order to offset the expense associated with placing a new product in our stores. The amount of product and/or deduction the vendor is expected to supply varies based on the department and will be negotiated with the Category Manager.

For all instances of new item placement, a "free fill" of each SKU is required for each new point of distribution.

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| **Department** | **Requirement** |
| Grocery, Dairy, Frozen or Bulk Items | The negotiated number of skus for each instance of new point of distribution (as defined above). |
| Vitamins & Body Care | Up to six (6) individual selling SKUs; to be defined during the Sprouts, Vendor Partnership agreement, for each instance of new point of distribution (as defined above). |

* + Replenishment orders will be placed by stores to comply with par level inventory requirements.
	+ Any deviation from the requirements above must be mutually agreed to between vendor and category manager
1. A new point of distribution is defined as:
	1. Placement in some or all store locations where the SKU(s) is/are new to Sprouts. Free fill applies to each store in which the SKU(s) is/are added.
	2. Placement for SKU(s) in NEW Sprouts locations where the item is already currently authorized on the Sprouts Approved Product List (APL).
	3. Placement for SKU(s) in Sprouts locations that have not sold the SKU(s) in the prior six months. (Reset, remodel, schematic alignment, product void).
	4. SKUs subject to "Free Fill" will have guaranteed placement for a minimum of six months post implementation, or may be entitled to a prorated refund.
2. Item Free Fills will be handled as follows:
	1. Grocery, Dairy, Bulk, and Frozen Foods:
		1. Products distributed through KeHE or UNFI will receive a deduction on behalf of Sprouts for the wholesale value of the free fill for each instance of placement.
		2. Items delivered via DSD will receive a deduction from open billing statements (payables) for the wholesale value of the free fill for each instance of placement.
		3. A direct billing from Sprouts to the vendor will occur when neither (i.) or (ii.) above is a viable means of collection for the value of the free fills.
	2. Vitamins, Body Care and General Merchandise:
		1. For SKUs distributed through KeHE or UNFI, KeHE/UNFI will deliver the initial free fill distribution to the stores at 100% MCB.
		2. Items delivered via DSD will receive a deduction from open billing statements (payables) for the value of the free fill for each instance of placement.
		3. A direct billing from Sprouts to the vendor will occur when neither (i.) or (ii.) above is a viable means of collection for the value of the free fills.

**THIRD PARTY MERCHANDISING - FAIR SHARE**

**Fair Share:** A program that charges back the Grocery, Frozen, Dairy, Bulk, Vitamin & HBA manufacturers for their share of merchandising, or costs associated with merchandising, the Non-Perishable departments. This fee covers the Category Resets, New Stores, Remodels, Refreshes, Sales Initiatives, Hardware & Merchandising Support Staff. The fee is calculated based on space and sales and will be negotiated with the Category Manager.

1. All vendors will participate in merchandising activities related to placement of their products via payment of a 'fair share' fee assessment to cover the expense of merchandising said products.
2. Fair share assessments will occur when:
	1. The category in which the SKU(s) resides is reviewed and new planograms are instituted at store level on an annual or semi-annual basis.
	2. A new store is opened and the vendor's brands are not supported with Broker or Sales Representation.
	3. An existing store is remodeled or reset and the vendor's brands are not supported with Broker or Sales Representation.
3. Fair share assessments are based on:
	1. The SKU(s) percentage of sales relative to the category total.
	2. The SKU(s) percentage of linear shelf space relative to the category total.
	3. Items new to Sprouts have sales estimates based on existing items within the category.
	4. Based on the above criteria, the total cost of the merchandising project is allocated to all vendor participants.
	5. Vendors paying fair share merchandising fees would have guaranteed shelf placement for the SKU(s) used in the fair share calculation for a period of six months post implementation, or be entitled to prorated refund of 3rd party merchandising fees.

**BILLING METHODOLOGY**

1. All billing activity for Free Fills, Advertising Fees, Scan Rebates, Miscellaneous Rebates, Store Coupon redemptions or other agreed upon fees/rebates will be collected via:
	1. Statement deductions handled on behalf of Sprouts from UNFI or KeHE.
	2. Statement deductions (account payables) from Sprouts AP.
	3. Direct Billing where neither (a) nor (b) apply.
2. Billing occurs monthly through Sprouts BILLBACK MANAGER system. Back up and invoices for deductions or billings are available upon request.

**COST CHANGES**
Sprouts requires 90 days notice on ALL cost changes.

**INCOMPLETE / INACCURATE PAPERWORK**
It is imperative that all vendor paperwork be submitted to Sprouts accurately. Due to the excessive time, resources and potential financial impact, incomplete and/or inaccurate paperwork will be subject to a "per offense" fine.

**IX-ONE**
Upon acceptance of an item into Sprouts, it is required that you get the image set up in IX-ONE before the product enters the stores. If you are not setup with IX-ONE, please follow the link (<http://www.ix-one.net/sproutssignup/>) to get started on your company profile. An IX-ONE sales representative will reach out to you after this is complete.

**SHIPPING MINIMUM**
Direct Vendors - Sprouts will not pay shipping fees for any direct shipment and no minimum shipping requirements will be approved for store orders.