

## CONSIGNMENT STANDARDS

1. **RECITALS.** Dealer (referred to herein as “Consignee”) and Vendor (referred to herein as “Consignor”) have entered into a Vendor Master Agreement (the “Agreement”) under which Dealer may purchase Products from Vendor for distribution, marketing, and resale. The parties desire to supplement their Agreement with additional terms and conditions applicable only to provision of consigned products from Consignor to Consignee and intended for resale via Consignee’s retail stores and/or Internet web sites. Such consigned products are described on **Exhibit A** hereto, as may be amended from time to time by agreement of the parties (“Consignment Product(s)"). The sections specified in these Consignment Standards (“Standards”) will override the Agreement as they relate to Consignment Products. The sections specified in Appendix A-2 and B-2 will override these Standards to the extent of any conflict.

2. **RESERVATION OF RIGHTS AND TITLE.** Title to the Consignment Product is reserved in Consignor until sale of the Consignment Product by Consignee to Consignee’s customers. No security interest shall be granted in the proceeds from the sale of the Consignment Product. Consignor will indemnify and save Consignee, its parent, subsidiaries and affiliates, and their respective customers, employees, directors, officers and agents harmless from and against all costs, expenses (including legal fees), damages, actions, causes of action, suits, claims, liabilities and judgments, which may be suffered or incurred by them, relating to any breach of Consignor’s representations and warranties made in this paragraph 2 and 10.

3. **SALE OF CONSIGNMENT PRODUCT.** Consignee has sole discretion to determine the retail price of the Consignment Product and the right to determine the amount and frequency of any retail price changes. For each sale of a unit of Consignment Product, regardless of the retail sale price, Consignee shall pay Consignor the "Agreed Cost" for such Consignment Product, as set forth in **Exhibit A**, minus the allowances, deductions and vendor charge-backs agreed between the parties. Consignment Product sold and returned by a customer in accordance with Consignee’s return policy shall not be considered a “sale” for purposes of calculating payments to Consignor. Consignment Product that is defective (which includes but is not limited to Consignment Product that is returned without the box, with an opened box, or with a damaged box) shall be the responsibility of Consignor, and may be returned to Consignor unless otherwise mutually agreed. Any amounts remaining from the sale after payment to Consignor as set forth herein shall be retained by Consignee. Consignee shall exert reasonable efforts to sell the Consignment Product consistent with Consignee’s sales, marketing and merchandising plans, which may be amended from time to time at Consignee’s sole discretion.

4. **INVOICES; PAYMENT; ALLOWANCES.**

4.1. Purchase orders will be subject to Section 6. Consignee will make a payment to Consignor via Electronic Fund Transfer as set forth in an Appendix A-2. No payments will go out by mail. Consignee will generate an invoice based on consignment sales and inventory report as set forth in an Appendix A1. Consignee will send a discrepancy notice to Consignor for shipping discrepancies (e.g., shortages) identified by Consignee. Consignor and Consignee will reconcile inventory yearly to assure that the parties agree to the correct inventory of Consignment Product held by Consignee. Consignor will at this time make any necessary corrections to its records concerning invoices and quantities. Shrink will be paid annually as set out in section 9.

4.2. Agreed allowances/deductions/payment terms may be set forth in an Appendix A-2, as amended from time to time between the parties.

4.3. The monthly consignment sales and inventory report is the official record of sales for Consignee. Consignor agrees that the EDI 852 is a directional report at a snapshot in time and not used for consignment sales payments or reporting. The monthly consignment sales and inventory report for the previous month’s sales will be processed and placed on AP Visibility no later than the Tuesday of Week 2 of Consignee’s fiscal month. Reports could be out as early as Friday of Week 1.

5. **AUDITS.** Consignor may audit Consignee’s books and records pertaining solely to the subject matter of these Standards no more than once per year, provided that Consignee shall be given reasonable written notice, and further provided that the audit shall take place at Consignee’s facilities during normal business hours. Costs of the audit shall be borne by Consignor.

6. **TAXES.** Consignor will be responsible for the collection and remittance of the appropriate sales tax to the proper

taxing authorities.

7. **SHIPMENTS.** Consignor will ship the Consignment Product to Consignee's designated shipping address (e.g., distribution centers and/or stores) at Consignor's risk and expense. Consignor shall be responsible for making shipping arrangements, scheduling, tracking, proof of delivery, tracing, and obtaining insurance for loss or damage while Consignment Products are in transit, and filing freight claims for loss and/or damage. If expedited shipment becomes necessary, in the reasonable opinion of both parties, due to the fault or delay of Consignor, then Consignor shall pay the costs of such expedited shipments to either Consignee's distribution centers or via drop ships to Consignee's stores, as requested by Consignee. If expedited shipment becomes necessary, in the reasonable opinion of both parties, due to the fault or delay of Consignee, then Consignor agrees to ship product, freight collect, to either Consignee's distribution centers, or stores via drop ship, as requested by Consignee. Consignee shall then charge back Consignor the difference between the standard ground shipping costs and the expedited shipping costs. The carrier (not Consignor) shall invoice Consignee in this latter freight collect situation. Consignor agrees not to include freight charges on any invoices under any circumstances.

8. **RETURN OF GOODS.** Consignee has 100% return rights with respect to the Consignment Product, whether in cases of defectives, obsoletes, slow-moving Consignment Products, upon termination, or otherwise. Consignor agrees to arrange and pay for return shipments. Notwithstanding the foregoing, the undersigned Consignee reserves the right to return, at Consignor's expense, any Consignment Products for which a claim is made that alleges that the Consignment Products (1) infringe any alleged patent, design, tradename, trademark, copyright, right of privacy, or any other tangible or intangible property rights, or (2) are not manufactured, packaged and labeled in accordance with best industry standards and/or all applicable laws, ordinances, rules and regulations by governmental departments, bodies and agencies governing and/or restricting the receipt and sale of Consignment Products by the undersigned Consignee, or (3) have caused injury to person or property. In addition, Consignor agrees to pay the cost of return shipments of substantially defective product. In all cases, Consignor agrees to provide a return authorization ("RA") within 48 hours of request.

9. **FURTHER OBLIGATIONS OF CONSIGNEE.**

9.1 **Shrink.** Consignee shall make an annual payment to Consignor at the most recent Agreed Cost per unit for any loss or damage to the Consignment Products that occurs while they are under Consignee's control less any applicable discounts, allowances or other valid off set amounts, while such Consignment Products are in the care, custody, and control of Consignee upon signed settlement and reconciliation of account, which settlement and reconciliation to occur on an annual basis from the signed contract date, unless otherwise mutually agreed upon by the parties. Notwithstanding the foregoing, Consignee agrees to use commercially reasonable efforts to protect and preserve the Consignment Products that are in the care, custody or control of Consignee, wherever located.

9.2 **Risk of Loss.** Consignor will maintain all-risk property insurance in an amount adequate to fully insure all Consignment Products in the care, custody or control of Consignee, wherever located, in an amount not less than the greater of \$5 Million or the maximum inventory amount anticipated to be held by Consignee.

10. **FURTHER OBLIGATIONS OF CONSIGNOR.** Consignor represents and warrants that Consignor has full title to the Consignment Product, free and clear of all liens, charges and other encumbrances.

11. **CONSIGNOR-CONSIGNEE RELATIONSHIP.** The parties do not intend to form a partnership or joint venture, principal-agent, employer-employee, or any other relationship other than that of consignor-consignee, and, where appropriate, licensor-licensee. It is fully understood that each party will exercise full power and authority, except for as specifically provided otherwise in writing and signed by both parties, to select the means, method and manner of performing all obligations required under these Standards. Except as provided herein, neither party will have any right or authority and will not attempt to enter into any contract or commitment, or incur any debt or liability of any nature in the name of or on behalf of the other party.

12. **TERM; TERMINATION.** These Standards may be terminated pursuant to the terms of the Agreement. These Standards shall automatically terminate upon the termination of the Agreement. Termination shall not affect the parties' respective outstanding obligations including the terms of the Agreement.

Upon termination of these Standards, the parties will wind up their consignment relationship by conducting an account reconciliation to reach a final settlement. In the event Consignee's records reflect a debit balance with Consignor (defined as any amount owed by Consignor to Consignee), Consignee may (i) hold the Consignment Products as collateral until Consignor makes payment to Consignee; or (ii) if Consignee elects to purchase the remaining inventory of Consignment Product, deduct the debit balance amount from the amount payable to Consignor. Notwithstanding the foregoing, upon termination of these Standards, Consignee may, at its option, (i) purchase the remaining Consignment Product in its possession (and negotiate in good faith for obtaining price protection), or (ii) return all or some of the Consignment Product to Consignor at Consignee's expense.

**13. CONVERSION OF INVENTORY.**

If the parties agree to convert existing non-consignment inventory in Consignee's possession to Consignment Product inventory, the Consignor shall purchase from the Consignee all such inventory converting to consignment. On the Conversion Date (defined below), all inventory on hand ('Consignment Inventory') in Consignee's possession, for the agreed product SKUs, will be converted to the Consignor (i.e. title to the Consignment Inventory shall be transferred from Consignee to Consignor). The Consignor shall pay to Consignee the Purchase Price (defined below) for the Consignment Inventory on hand as of the Conversion Date, plus applicable taxes. The month following the Conversion Date, the monthly sales and inventory report will be available on the AP Visibility and include the conversion of the Consignment Inventory.

Prior to the Conversion Date, Best Buy must implement a blackout period of not less than 15 days. During the blackout period no new purchase orders can be created and all open purchase orders must be received prior to the Conversion Date. If the purchase orders will not be received by the Conversion Date, they must be cancelled. Furthermore, all RTVs must be in a shipped status in the Consignee's system and all BOLs (pallets) must be shipped. If the foregoing requirements are not met prior to the Conversion Date, then conversion of Consignment Inventory will be delayed to the next fiscal month; with the same 15 day blackout period in place.

Upon termination or expiration of these Standards, if the parties agree to convert existing consignment inventory into non-consignment inventory, the parties shall make this conversion effective on the first day of Consignee's fiscal month.

"Conversion Date" means the fiscal month date mutually agreed between the parties for the purchase of the applicable Consignment Product inventory by the Consignor from the Consignee (and the applicable transfer of title to such inventory) which such date must be effective on the first day of Consignee's fiscal month.

"Purchase Price" shall be the applicable unit price for all products included in the Consignment Inventory multiplied by the number of units for each product included in such Consignment Inventory. The unit price shall be the current unit cost in Consignee's system.

**14. ENTIRE AGREEMENT.** These Standards, and the accompanying exhibits, contains all the terms and conditions with respect to the consignment of the Consignment Products specified herein. These Standards and any documents referenced and incorporated herein, as they may be amended in writing by Dealer from time to time upon notice to Vendor. The parties may from time to time amend the description of products and Agreed Cost terms contained on **Exhibit A**, without necessarily reducing the same to a writing signed by both parties.

**EXHIBIT A TO CONSIGNMENT STANDARDS**

**Description of Consignment Products** **Agreed Cost**

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SKU #

Consignment Product Description:

\$ /Unit