



FTD STANDARDS

2024

TABLE OF CONTENTS

	Page
1.0 INTRODUCTION.....	3
2.0 SALE OF BUSINESS, CHANGE IN OWNERSHIP OF BUSINESS, OR CHANGE OF OWNERSHIP STRUCTURE.....	5
3.0 SERVICING STANDARDS FOR FTD ORDERS	5
4.0 FTD CREDIT CARD PROGRAM.....	8
5.0 FTD DIRECTORY LISTINGS.....	8
6.0 FTD RULES	8
7.0 MERCURY NETWORK RULES.....	11
8.0 FTD CLEARINGHOUSE RULES	12
9.0 RULES & REGULATIONS REGARDING DISCIPLINE OF MEMBERS.....	16
10.0 QUALITY, SUBSTITUTIONS, CUSTOMER SATISFACTION, INVENTORY CONTROL AND TESTING	17
11.0 TERMINATION OF MEMBERSHIP	20

1.0 INTRODUCTION

As part of your application for membership in FTD, LLC's ("FTD") clearinghouse and communications network, you agree to be bound by and comply with all FTD standards, rules, regulations and policies, including those standards, rules, regulations and policies that govern the use of FTD's Clearinghouse (the "Clearinghouse"), FTD Mercury Network[®] communications system (the "Mercury Network") and other operations, and any trademarks or other intellectual property relating thereto (collectively, the "FTD Standards"). All references hereafter to "Members" shall mean an individual, Sole Proprietorship, Partnership, Corporation or Limited Liability Company who has applied to FTD for membership, has met FTD requirements for membership and has been accepted as a member by FTD.

The FTD Standards contained within, together with any additional rules, regulations or policies of FTD respecting membership and the actions and operations of Members, as currently in force or as amended in the future, shall constitute your FTD Membership Agreement.

1.1 GENERAL REQUIREMENTS FOR MEMBERSHIP

To ensure attention and commitment is given in support of FTD's quality and continual improvement initiatives, the following membership requirements have been established. Should you have any questions or require further clarification, please contact your designated FTD Field Account Manager.

FTD shops are required to be open during normal business hours on all normal business days. "Normal" business hours and days are determined by the normal practices of the majority of other retail businesses in the same locality.

1.2 PERSONNEL

- 1.2.1 An FTD shop must have a qualified floral designer at all times during normal business hours. FTD shops with multiple locations (each, a "Branch Shop") may elect to have at least one qualified designer full or part time on the premises of each location at all times during the normal business day, or, use the capabilities of full or part time experienced designers at a central location. This option is permitted only if the Branch Shop has ready access to the design ability of an experienced designer at all times during the normal business day.
- 1.2.2 Each shop must also have personnel adequately trained to properly sell, transmit, and receive orders.

1.3 INFRASTRUCTURE

Signage

- 1.3.1 The shop must have adequate signage in good repair that identifies the name of the shop to the public.
- 1.3.2 Any sign that identifies the name of the shop must use the same name as listed on the official membership record.
- 1.3.3 FTD may request proof of the shop signage in the form of pictures, and in the case of repeated requests for name changes, FTD may disallow or defer any changes if it appears that such change will provide unfair advantage over other FTD Members.

Exterior Requirements

- 1.3.4 The exterior of the shop must be well maintained and in good condition.
- 1.3.5 The entrances, parking lot and premises surrounding the shop must be well maintained and free from litter.

Interior Requirements

- 1.3.6 The sales/ display area must be clean and attractive.
- 1.3.7 The floor of the sales/ display area must be covered in an attractive manner.
- 1.3.8 Concrete flooring in the sales/ display area is acceptable provided that it is attractively painted and free from cracks or flaking.
- 1.3.9 The walls, ceiling, displays, and flooring must be clean and well maintained.
- 1.3.10 An FTD shop must have adequate lighting. Lighting must be in keeping with modern merchandising requirements and used as required to improve the display of merchandise for customers. Bare incandescent light bulbs and unsightly exposed wiring are not considered adequate.
- 1.3.11 If the shop has a display window, it must be attractively decorated, clean, in good repair and adequately lit, either naturally or artificially.

Delivery Requirements

- 1.3.12 Each FTD shop must have available a suitable delivery method to ensure that floral product will remain fresh and in good condition during delivery in all seasonal conditions. FTD also offers an optional delivery service to Members. Please contact your Field Account Manager to find out more about this service.

Communication Requirements

- 1.3.13 FTD shops must have a designated business line and be responsive to calls placed to that line.

Bookkeeping Requirements

- 1.3.14 An FTD Member must maintain an adequate bookkeeping system.
- 1.3.15 All FTD Members must agree to allow an authorized representative to inspect their FTD wire business to determine its adequacy.

Credit Requirements

- 1.3.16 The applicant must exhibit credit responsibility as determined by FTD and maintain such creditworthiness at all times after acceptance of applicant as an FTD Member.
- 1.3.17 An FTD Member is required to maintain honesty in business dealings and to uphold standards represented by the FTD Code of Ethics (see section 6.10).

See Section 10 for Quality and Inventory Control Requirements.

2.0 SALE OF BUSINESS, CHANGE IN OWNERSHIP OF BUSINESS, OR CHANGE OF OWNERSHIP STRUCTURE

Mandatory Procedures for approval

2.1 When an FTD Member decides to make one of the following changes:

- a. Sell or transfer its business to new ownership;
- b. Change the existing ownership of the Member's business by adding additional owners, or replacing some but not all of existing owners; or
- c. Change the ownership structure of the FTD Member's business (i.e. from sole proprietorship to corporation or Partnership, etc.

written notice of the sale, transfer of ownership, change of ownership, or change in ownership structure with confirmation of receipt must be sent to FTD Membership by email to membership@ftdi.com.

2.2 If any of the above changes occur, a new application for FTD membership must be completed and signed by the new owner or new ownership structure, and submitted to FTD Member Services with all information applicable and payment required at the time of the application. Alternatively, FTD may, at its sole discretion, offer to transfer membership pursuant to other appropriate documentation of the assignment.

Guarantee of Accounts

2.3 The FTD Member who is requesting one of the changes in Section 2.1 above may elect to guarantee payment of accounts with FTD for that Member's shop or shops while the requested change is in process with FTD by executing with the new ownership or new owner entity, a Guarantee of Accounts form with FTD.

2.4 The FTD Member who is requesting the change shall continue to remain liable for all charges of that Member's business as if the business was never transferred or ownership or ownership structure changed if:

- a. The new owner's application is not approved by FTD; or
- b. If any of the foregoing procedures are not satisfactorily completed and approved by FTD.

3.0 SERVICING STANDARDS FOR FTD ORDERS

Marketing an FTD Order

3.1 Advertising and marketing FTD products must be done in accordance with all applicable laws, including, without limitation, all applicable state and federal laws (see, for example, the Federal Trade Commission's advertising and marketing guidelines which may be found at <http://business.ftc.gov/advertising-and-marketing>). Any failure to adhere to applicable laws may result in irreparable harm to the FTD brand and the floral network and accordingly, may result in fines or suspension or termination of benefits or the Member's membership.

Transmitting an FTD Order:

FTD orders may be transmitted by the Sending Member (defined below) to the Filling Member (defined below) using the Mercury Network or the telephone. Please follow the guidelines below to ensure satisfactory service.

In General

- 3.2** Use the *MHQ Florist Partner Selection Tool* or *FTD Online Florist Directory* (collectively, the "FTD Directory") found on the Mercury Network.
- 3.3** Be sure to check the Filling Member's listing for codification to help eliminate the chance of order refusal.
- 3.4** For each order, the Member sending the order ("Sending Member") is required to transmit the amount paid by the customer (less service fees and applicable taxes), plus the applicable delivery charge for the member filling the order ("Filling Member"). In the case of FTD Products (defined as FTD-branded and/ or Florist Selection Guide products), the Sending Member is required to transmit at least the "FTD Suggested Retail Price" or "SRP" of these products, plus the applicable delivery charge. All marketing discounts must be absorbed by the Sending Members to help ensure quality fulfillment. See section 6.9 for the requirements of FTD's Curtailment Policy.

Using the Mercury Network.

See your Mercury Operator's Handbook instructions on "How to Send an FTD Order" using your Mercury system.

The amount required to be transmitted will be divided among the Sending Member, the FTD Clearinghouse and the Filling Member as follows:

Sending Member:	20% of the required amount
FTD Clearinghouse:	9% of the required amount
Filling Member:	71% of the required amount

Additional standard fees may apply as set forth on the applicable Member's sell sheet or FTD Membership Agreement.

FILLING AN FTD ORDER

ANOTHER IMPORTANT ASPECT OF YOUR FTD MEMBERSHIP IS IN KNOWING THE PROPER WAY TO PROMPTLY RESPOND TO ORDERS RECEIVED FOR FULFILLMENT AND TO FILL FTD ORDERS. PLEASE ADHERE TO THE STANDARDS AND GUIDELINES BELOW TO ENSURE THE PROVISION OF SATISFACTORY SERVICE TO YOUR CUSTOMERS AND FELLOW MEMBERS.

In General:

3.5 FTD’s Delayed Response Program: Requirement to respond to orders received for fulfillment in a timely manner: FTD’s Delayed Response Program is designed to promote a satisfying customer experience by promoting prompt acceptance or rejections if unable to fill an order within two (2) hours of receipt of an order, thereby increasing the chances of fulfillment of the order by other FTD Members before the delivery time. In this way the program also protects our Member’s reputation by avoiding a bad customer experience on Member delivered product. That is why it should be the ultimate goal of all Members to fill all properly transmitted FTD orders and give them the same amount of care and attention that they give their local customers' orders.

3.6 FTD’s Delayed Response Program Hours of Operation. FTD considers Member’s hours of operation to be between 9 am and 5 pm weekdays and 9 am and 1 pm weekends local time. Business hours will be based upon these guidelines and will take Codification closes into account when calculating the number of Business Hours an order is held.

All Members are required to comply with Delayed Response Program (DRP) Policy as further defined below.

FTD DELAYED RESPONSE PROGRAM POLICY	
Failure to reject an order within two standard business hours after time of receipt or Failure to reject an order by 11 am local Member time if the order is received after 5 pm of the previous day (Monday through Friday) or Failure to reject an order by 11 am local Member time if the order is received after 1 pm of the previous day (Saturday and Sunday)	\$10.00 <i>Credited to Sending Member</i>
Rejecting an order held for more than 24 (but less than 72) clock hours after time of receipt if rejected before 2 pm weekdays (1 pm weekends) local cut-off time on (or before) the date of intended delivery	\$20.00 <i>Credited to Sending Member</i>

<p>Rejecting an order held for more than 72 clock hours after time of receipt if rejected before 2 pm weekdays (1 pm weekends) local cut-off time on (or before) the date of intended delivery</p>	<p>Value of Order <i>Credited to Sending Member</i></p>
<p>Failure to reject an order within two standard business hours after time of receipt and rejecting after 2 pm weekdays (1 pm weekends) local cutoff time on the date of intended delivery or orders that result in non-delivery (ordere will be cancelled & DRP charges will apply)</p>	<p>2x Value of Order <i>Credited to Sending Member</i></p>

3.7 FTD’s Delivery Confirmation Program. The goal of FTD’s Delivery Confirmation Program is for 100% of customers to receive a delivery confirmation following confirmed delivery of the order on the day of scheduled delivery (subject to modification by FTD from time to time). To clarify, delivery confirmations are to be executed only after the delivery has been made at the recipient’s address. Members who adhere to this requirement will be eligible to earn a transmission fee credit of a portion of their total transmission fee.

3.8 All FTD orders must be filled for 100% of the gross amount of the order at prices prevailing in the Filling Member’s shop.

3.9 The Filling Member may not apply a higher mark-up to FTD orders than the Member does to their local customers' orders.

4.0 FTD CREDIT CARD PROGRAM

There are several plans available to Members that enable them to participate in the FTD Credit Card Program. For further details on these options, see the information provided on FTDI.com under Business Solutions/Credit Card Processing or contact an FTD representative. Participation in the Credit Card Program is subject to rules and procedures set forth in the FTD Credit Card Processing Terms and Conditions which can be viewed on FTDI.com.

5.0 FTD DIRECTORY LISTINGS

Each Member should review and update their listing in the FTD Directory on a regular basis to ensure the correct city listings, minimum order amounts and FTD codes are included.

6.0 FTD RULES

The rules governing the use by Members of FTD's trademarks or other intellectual property, Clearinghouse, Mercury Network communications system and other operations are listed below.

6.1 FTD Brand Protection Policy. FTD retail and “send only” Members’ use of the FTD Mercury Man emblem and other marks is subject to the FTD Brand Protection Policy, which is found at

<http://www.ftdi.com/brandprotection>.

- 6.2 Use of Membership Lists.** No Member of FTD shall permit the use of the membership list or lists by any non-member for any purpose.
- 6.3 Use of FTD Code.** No Member shall permit the publication or use of its FTD code number otherwise than in the official publication or in correspondence or statements relating to the processing of FTD orders. No Member shall permit the use of its FTD code number by any non-Member for any purpose.
- 6.4 Complaints.** Whenever a Member receives a Mercury message or telephone inquiry regarding a complaint involving an FTD order, whether from FTD or a fellow Member, the Member must provide a response to such message or inquiry. This response must be made by Mercury message or telephone to FTD or the fellow Member, as the case may be, no later than close of business on the business day immediately following the day on which the Member first received the message or inquiry, and the parties involved must strive to resolve the issue as soon as possible.
- 6.5 Deliberate Misrepresentations.** Members with shop names that contain a deliberate misrepresentation will not be allowed to continue using such false designation in their FTD Directory membership listings.
- 6.6 Exclusivity.** No Member shall advertise or hold out to the public in any manner whatsoever that, with respect to flowers-by-wire orders, it provides an exclusive flowers-by-wire service, if other Members provide FTD service in the same city or town.
- 6.7 Business Dealings.** All Members shall maintain honesty in all business dealings.
- 6.8 Palming off:**
- 6.8.1 A Member taking an order who is instructed by the customer to send the order as an FTD order must send the order to a Member only and must process the order through the FTD Clearinghouse.
- 6.8.2 An order taken by a Member from a customer who requests an arrangement or other floral item by reference to a trademark used by FTD or by reference to an arrangement or other floral item pictured in the Floral Selections Guide or any other consumer guide published by FTD, must be sent as an FTD order and to a Member and must be processed through the FTD Clearinghouse.
- 6.8.3 Any order sent by a Member and identified either by reference to a trademark used by FTD or by reference to an arrangement or other floral item pictured in the *Floral Selections Guide* or any other consumer guide published by FTD, must be sent as an FTD order and to a Member and must be processed through the FTD Clearinghouse.
- 6.9 Curtailment Policy:**
- 6.9.1 **Curtailment by the Sending Member:** Transmitting less than the full amount of the order paid by the customer for the order is defined for purposes of these FTD Standards as “curtailment”. If a delivery charge is collected by the Sending Member it must be included in the price of the order. If the Sending Member does not collect a

transmission charge, or a service charge, it is important that such charges be deducted from the price paid by the customer for the order. Delivery charges are included in the price of the order. Transmitting less than the full amount of the order paid by the customer, by subtracting the transmission and service charge or similar charge such as a handling fee, overhead charge, etc. from the price of the order, constitutes curtailment. Curtailment in its classic form occurs when the full value of the flower order is not transmitted, i.e., a customer is charged and pays for an arrangement at \$59.95 price, but the Sending Member transmits the customer's order to be filled for an arrangement of lesser value of \$49.95 (whether subtracting a service or similar charge or not). Delivery charge curtailment is another form of curtailment by the Sending Member. This occurs when all or part of a delivery charge is not passed on to the Filling Member. The FTD Member will be held responsible for any curtailment, even if the order is handled by an employee. Curtailment is a serious offense, punishable by fine suspension or termination of FTD membership.

- 6.9.2 **Curtailment by the Filling Member:** All orders must be filled for 100 percent value of the gross amount of the order. This is done according to prevailing prices of the FTD Member shop. A Member may not apply a higher mark-up for the FTD orders than it does to orders for its local customers. FTD Members owning non-member shops may not fill an FTD order from that shop.

6.10 FTD Code of Ethics

All FTD Members are bound by the following code of ethics:

- 6.10.1 To treat customers, fellow FTD Members and FTD employees and representatives with courtesy and respect.
- 6.10.2 To strive at all times to serve and satisfy customers and fellow FTD Members.
- 6.10.3 To use only the freshest, finest quality products available.
- 6.10.4 To be creative and tasteful in practicing the art of flower arranging.
- 6.10.5 To be informed of the latest developments in flowers, floral services and gifts, and to provide customers with the benefits of all such developments.
- 6.10.6 To give full value in flowers and service.

- 6.11 **Confidentiality.** FTD Members shall not disclose to any third party any information regarding charges, pricing, rebates, terms of membership or other proprietary information involving FTD services or operations, unless reasonably necessary to carry out its sending or fulfillment obligations under these FTD Standards or policies, such as disclosure of the FTD code number provided by a Sending Member to a Filling Member, or if required by law to do so. In the latter event, the party in receipt of confidential information shall provide prior written notice to the party who shared such confidential information of the intended disclosure in order to afford such party the reasonable opportunity to obtain a protective order or seek a hearing to prevent such disclosure.

- 6.12 **Standards of Conduct.** All FTD Members are required to act in a manner that does not reflect

badly upon or otherwise tarnish the reputation of FTD or the good will of FTD Trademarks and to regulate their activities so as to avoid loss and embarrassment to FTD.

- 6.13 Creditworthiness.** All FTD Members must exhibit creditworthiness at all times as determined by FTD within its sole discretion. Each FTD Member hereby authorizes FTD to obtain credit bureau reports on them from time to time for purposes of determining and verifying their continued compliance with this rule. In the event that FTD determines at any time that a FTD Member does not exhibit credit responsibility, FTD may immediately suspend or terminate of membership in FTD.

7.0 MERCURY NETWORK RULES

The rules governing the use by Members of the Mercury Network are listed below.

- 7.1 Properly Trained and Competent Personnel.** Each Member that uses the Mercury Network system must have at least one experienced employee who is properly trained in the operation of the Mercury Network system in the shop during normal business hours to monitor activity on the Mercury Network.
- 7.2 Multiple Orders.** No Member shall send multiple orders within the body of one order over the Mercury Network.
- 7.3 Messages.** Each Member that uses the Mercury Network shall promptly review and address all administrative messages received over the Mercury Network. In addition, such Members must provide the appropriate response to any Mercury message they receive over the Mercury Network regarding an FTD order, whether such message was sent by FTD or a fellow Member. All responses must be made by Mercury message to FTD or the fellow Member, as the case may be, no later than the close of business on the business day immediately following the day on which the Member first received the Mercury message. In addition, the parties involved must strive to resolve the issue as soon as possible.
- 7.4 Certain Required Responses and Response Times.**
- 7.4.1 When a Member receives a CAN message, such Member must respond by sending a CON or DEN message immediately.
 - 7.4.2 Each Member must respond to an ASK PRICE CHANGE message immediately.
 - 7.4.3 Each Member must respond to an ASK message no later than the close of business on the business day immediately following such Member's receipt of the ASK message.
 - 7.4.4 When a Member intends to forward an order to another Member, such the forwarding Member must initiate a FOR message immediately to ensure that the forwarded order will be delivered in a timely manner
 - 7.4.5 When a Member chooses to reject an order they do not want, they must adhere to the Delayed Response Program (DRP) guidelines. DRP guidelines require the Member to reject orders within two standard business hours of receipt of the order. Otherwise they will be subject to escalated DRP fees.
 - 7.4.6 Once a Member order has been delivered to the recipient, the Member must adhere to FTD guidelines for Delivery Confirmation as modified from time to time.

8.0 FTD CLEARINGHOUSE RULES

The Rules governing the use of the FTD Clearinghouse Statement are listed below.

8.1 Processing and Collection of Reported Orders, Reporting of Orders, Deadlines: All orders will be processed by the Clearinghouse in the month in which they are delivered if the Clearinghouse receives the report of such orders by the cutoff dates listed below. There are three basic methods for reporting orders to the Clearinghouse:

- 8.1.1 Orders sent and received over the Mercury Network are automatically reported to the Clearinghouse.
- 8.1.2 Orders can be reported to the Clearinghouse using the "REC" function on a Member's Mercury System ("RECs").
- 8.1.3 Orders can be reported to the Clearinghouse by completing a "Report of Orders Filled" form ("ROF") located at <http://www.ftdi.com/memberservices/roof>.

8.2 Clearinghouse Statement Cut Off. The Clearinghouse Statement cut off each month for the reporting of orders delivered during that month is:

- 8.2.1 11:00 p.m. CST on the last day of the month for orders automatically sent over the Mercury Network and RECs; and
- 8.2.2 3:00 p.m. CST on the last business day of the month for ROFs. FTD cannot guarantee the processing for the month of delivery of ROFs submitted on a monthly basis (rather than weekly) on the last business day of the month, even if such ROFs are submitted before the 3:00 p.m. deadline referred to above. **Consequently, Members should submit ROFs weekly to avoid missing deadlines.**

Any report of orders delivered during a particular month that is received by the Clearinghouse after the deadlines listed above will be processed by the Clearinghouse during the month such report is received and within the deadlines for that month; however, in order to avoid possible accounting problems for a Sending Member caused by orders reported more than two months after the month in which such orders were delivered, **the final reporting deadline for all orders is two (2) calendar months following the month in which such orders were delivered ("Final Reporting Deadline")**. FTD will not accept responsibility for collection if orders are not reported within the Final Reporting Deadline. While FTD will process for collection orders that are reported after the Final Reporting Deadline but no more than three (3) calendar months following the month such orders were delivered, FTD will not accept responsibility for collection of such orders. Orders reported more than three (3) calendar months following the month in which such orders were delivered will not be processed for collection.

8.3 Unprocessed Orders, Paper Adjustment Reports and Related Charges. Each Member's monthly statement presently consists of a "Statement Summary," an "FTD Customer Activity Statement," a "Combined Report" and, if the Member participates in the FTD Cash-Flo Credit Card program, a "Confirmation of Credit Card Orders" section. Any orders reported by a Member within the deadlines listed in Section 9.3 above that could not be processed by the Clearinghouse, will be listed in the Member's monthly Combined Report under the heading "Confirmation of Orders Filled (Incoming)--UNPROCESSED ORDERS," together with an explanation. These unprocessed orders will appear at the end of such section and will be easily

distinguishable from the processed orders.

8.4 FTD will charge reporting Members for each order that could not be processed by the Clearinghouse due to reporting errors by such Member. As a result of these errors, the reporting Member will need to submit a paper adjustment report to the Clearinghouse that provides the correct order reporting information. FTD will also assess a charge for each paper adjustment report submitted by a reporting Member. FTD will not honor any paper adjustment reports that are submitted without indication that the Sending Members and Filling Members previously discussed the reporting problem. **In addition, with respect to any non-Mercury Network order adjustment or any manual order adjustment, FTD will not refund any assessed charge to the Filling Member for clearing the incorrectly reported order, which order will be listed in the FTD Customer Activity Statement under the heading "Clearinghouse and Marketing Advance."**

8.5 Clearinghouse Statement Balances and Payments.

8.5.1 Debit Balances.

The Clearinghouse will send statements with debit balances that cover a Member's previous month's reported transactions on or about the tenth (10th) calendar day of each month. Members who receive statements with debit balances must remit payment on a timely basis to insure receipt of such payment by the Clearinghouse on or before the 25th calendar day of the month in which such statement was received by the Member.

For convenience and expeditious handling of each monthly payment, a Member may separately authorize their bank account to be debited by FTD or make payment via Automated Clearinghouse (ACH) transfer. Alternatively, if a Member elects to mail its payment to the Clearinghouse, to ensure timely and proper credit, all payments should be sent to the address listed on the payment coupon that is included with such Member's Clearinghouse statement.

Currently, the applicable payment addresses are as follows:

For U.S. residents:

**FTD, LLC
Lockbox #774440
4440 Solutions Center
Chicago, IL 60677-4004**

For residents of Canada:

**FTD Canada
P.O. Box 57480 Station A
Toronto, ON M5W 5M5**

All checks received from Members in payment of accounts are accepted subject to final collection. If a Member's check is returned by the bank for any reason, a service charge will be made to the Member's account. Upon notice to FTD that a Member's check has been returned, FTD or its authorized agent will notify the Member or the person in

charge of the returned check and the requirement that the Member replace such check in accordance with this rule. If such Member does not replace the returned check with certified funds, cashier's check, bank transfer or other immediately available funds by 12 p.m. Eastern Time, on the third business day after FTD or its authorized agent contacts the Member's shop, FTD may discipline such Member, which discipline may include suspension or termination of membership, or other disciplinary action. If a Member's check is returned two or more times due to insufficient funds, a "Special Credit Deposit," as determined by FTD, will be assessed. FTD may return such credit deposit to the Member after 12 months if all Clearinghouse Rules have been observed for that period.

8.5.2 **Credit Balances.** The Clearinghouse will make payments to Members with credit balances by check or ACH transfer (the "Discounted Payment Option"). The Clearinghouse will mail Clearinghouse statements and checks to those Members having credit balances on or about the 20th calendar day of each applicable month, which statements and checks will include such Member's previous month's reported transactions. **Members who receive Clearinghouse checks must deposit them by the end of the same month in which the check is received.** FTD will initiate payment by ACH transfer on or about the twenty-fifth (25th) calendar day of each applicable month, which payments will include the previous months properly reported transactions. Consequently, if a Member submits an application and qualifies for the Discounted Payment Option, such Member will receive payment, less a Discounted Payment Option service charge, of all credit balances shown on such Member's Clearinghouse statement for the previous month on or about the tenth (10th) calendar day of each applicable month. Presently the Discounted Payment Option service charge is \$5.00 per each \$1,000 of credit owed by FTD to a participating Member. The corresponding Clearinghouse credit statement for any Discounted Payment Option payments will be mailed to the participating Members at the same time the Clearinghouse mails statements. FTD will periodically review the Discounted Payment Option service charge rate in light of current interest rate environments. If, in the sole judgment of FTD, the Discounted Payment Option service charge rate requires adjustment to reflect a significant change in interest rates, FTD will, in its sole discretion, adjust such service charge rate accordingly. In addition, FTD may increase the rate of the Discounted Payment Option service charge from time to time in its sole discretion.

8.5.3 **Clearinghouse Statement Errors.** Members must report errors on their Clearinghouse statements to the Clearinghouse within 60 days after receipt of each such statement. Any request by members for credits to charges to their Clearinghouse statements not made within 60 days from their receipt of the statement containing such charges will not be granted. Any such late requests for credits if involving another Member as a sender will be returned to the requesting Member to collect money directly from the Sending Member. Errors reported (other than requests for credits) to the Clearinghouse more than 60 days after the statement is received by the Member may be processed by FTD for a charge of \$.99 per correction. All requests for adjustments on wire orders made within the foregoing 60 day time period and accepted by FTD, are credited to a Member's Clearinghouse account, subject to the acceptance of the charges by the Member being charged. All other requests for adjustments require FTD approval. Members may NOT deduct credits for incoming orders or adjustments when paying debit balances.

8.5.4 **Late Payments.** Any Member failing to remit payment on a timely basis to insure receipt by the Clearinghouse of such Member's Clearinghouse debit balance by the 25th calendar

day of the month in which the Clearinghouse statement was received will be subject to discipline, which may include the imposition of limitations upon and suspension or termination of such Member's access to the Clearinghouse, Mercury Network communications system and other business operations and/ or suspension or termination of Membership in FTD. If it is necessary to suspend or terminate a Member for non-payment of their Clearinghouse debit balance, any credit deposit and any other funds held for or on behalf of the Member automatically will be credited to such Member's Clearinghouse statement as required to pay such Clearinghouse debit balance. If it is necessary to turn the Member's account over to a collection agency or to otherwise institute collection proceedings, the cost thereof including without limitation reasonable attorney's fees, cost of deposition and transcription thereof and court costs will be charged to the delinquent Member. Members who allow their account to become delinquent and who have authorized FTD to transfer to a financial institution by electronic funds transfer any funds held by FTD for or on behalf of the Member will have those funds credited instead to the Member's Clearinghouse statement until the time that their account is no longer delinquent. Members who allow their accounts to become delinquent shall be required to advance additional cash security in an amount to be determined by FTD. Members who are mailed a past due reminder notice in regard to non-payment of their Clearinghouse account shall pay the minimum sum of fifty-nine dollars (\$59), or 2.75% per month on the past due unpaid balance, whichever amount is greater, as a delinquent interest charge (which service charge is subject to increase at any time without notice by FTD) to cover the cost of handling and processing of a past due account and cost of carrying the unpaid balance. Notwithstanding, the foregoing total delinquent interest charge on past due account will not exceed 25% of the highest total past due principal balance on the account. Such notices will be mailed on balances for which payment has not been received by the fifth (5th) calendar day of the month following the month in which the Clearinghouse statement was originally mailed. FTD may require payment of balances on a past due account be paid with certified funds, cashier's check, bank transfer or other immediately available funds. An additional Special Credit Deposit may be required by FTD to assure continued payment on an account that was past due. FTD may return such special credit deposit to the Member after 12 months if all Clearinghouse Rules have been observed for that period.

8.5.5 **Advance Payment Requirement.** FTD may request advance payments from any Member at any time prior to the Clearinghouse due date(s) if it has been determined by FTD in its sole discretion that FTD's exposure to loss from a Member's Clearinghouse account warrants such advance payment. Any Member failing to comply with FTD's request for advance payment shall be subject to immediate suspension or termination of member's membership in FTD or other disciplinary action by FTD.

8.5.6 **Additional Credit Deposits.** At FTD's request, a Member must furnish a copy of the Member's latest financial statement, certified by an independent auditor. If this financial statement, in the opinion of FTD, does not warrant further extension of credit, FTD may request an additional credit deposit. In addition, FTD may request an additional credit deposit from a Member or an applicant for membership whenever, in the opinion of FTD, financial circumstances affecting such Member or applicant for membership cause substantial uncertainty as to whether extension of credit to the applicant for membership or further extension of credit to the Member is warranted. For purposes of this rule, financial circumstances affecting a Member or an applicant for membership may include, among other things, the suspension or termination of another Member who is under common ownership with the Member from whom the additional credit deposit is

requested. A Member may be deemed under common ownership with another Member whenever any officer, stockholder, partner or proprietor of the Member is an officer, stockholder, partner or proprietor of the other Member. Failure to remit this additional credit deposit shall constitute grounds for suspension or termination of Membership or other disciplinary action by FTD.

- 8.5.7 **International Orders.** All international orders sent and received over the Mercury Network or FTD Retrans Network are automatically reported to the Clearinghouse. Current Retrans fees are listed in the FTD Directory. If an international order is received outside the Mercury Network or FTD Retrans Network, the Executing Member (the Member filling the order) must report all international orders to the Clearinghouse no later than six (6) months after the date of delivery using the "Interflora Report of Orders Filled" form. Additional charges will be incurred when orders are sent directly from a Member to a non-member or Unit (Interflora-Fleurop), but get reported and cleared by the Clearinghouse. See the "International" section in the FTD Directory for detailed information on sending and receiving International orders.
- 8.5.8 **Commissions.** The commission on outgoing FTD orders shall not exceed twenty percent (20%) on orders valued ten dollars (\$10.00) or more. There shall be no commission on outgoing orders valued nine dollars and ninety-nine cents (\$9.99) or less. The gross amount of the order, including delivery charges, shall be considered in computing the applicable commission. All commission charges are subject to change by FTD at any time, without notice.
- 8.5.9 **Delivery Charges.** All delivery or special charges shall be included in the gross amount of each order. The Clearinghouse will periodically review the exchange rate applied to the exchange of Canadian and United States currency. If, in the judgment of FTD, the exchange rate is of an amount that adversely affects the balancing of FTD's clearing operation, FTD may, in its discretion, authorize the Clearinghouse to apply a charge or credit based on the current exchange rate to Members' accounts, and accordingly debit or credit Members' accounts. FTD will also, in its discretion, authorize the Clearinghouse to notify affected Members that they may charge the customer a stated charge, which charge will be calculated to offset the debit of a Member's account caused by the application of the charge based on the exchange rate.
- 8.5.10 **Member Indebtedness.** Any indebtedness of a Member to FTD of any kind or nature shall be chargeable on such Member's Clearinghouse account, and shall be payable according to these Clearinghouse Rules. In consideration of FTD advancing credit to Members through the Clearinghouse, each Member grants FTD the right to reduce any indebtedness owed by a Member to FTD by applying against the amount of such indebtedness the amount of any funds on deposit with FTD or any credit(s) due such by FTD Member, including, but not limited to, any credits appearing on Clearinghouse statements for a Member's retail locations where such Member also has a debit balance in other retail locations that are not linked by the same code number, or other funds of such Member that are on account with or within the possession or control of FTD.

9.0 RULES & REGULATIONS REGARDING DISCIPLINE OF MEMBERS

In General

A Member is subject to discipline by FTD by reprimand, probation, fine, imposition of limitations or suspension and/ or termination of such Member's membership in FTD, for any violation of the FTD

Standards that FTD, in its discretion, determines has occurred. FTD may also adopt rules and regulations regarding the discipline of Members for violations of the FTD Standards. These rules and regulations shall be made reasonably available to Members.

9.1 Definitions.

- 9.1.1 The term "**fine**" shall mean a lump-sum payment that shall be in an amount determined by FTD in its sole discretion and made by a Member to FTD, in cash or by check.
- 9.1.2 The term "**penalty**" shall mean "reprimand," "probation," "fine," "suspension" or "termination," as such terms are defined herein.
- 9.1.3 The term "**probation**" shall mean a deferral of action or further action by FTD for a prescribed period of time, under whatever conditions FTD may impose. Failure of a disciplined Member to meet the conditions imposed by FTD in connection with any probationary action may result in FTD's reconsideration of the Member's penalty and the imposition of an additional penalty.
- 9.1.4 The term "**reprimand**" shall mean a formal statement by FTD to the Member that the Member has violated a provision of the FTD Standards.
- 9.1.5 The term "**suspension**" shall mean the temporary interruption of membership in FTD which automatically suspends all of FTD's licenses or services, including, but not limited to, FTD's Clearinghouse, Mercury Network communications system, other business operations as well as FTD marks and images, which interruption will be to ensure compliance with Member's Trademark Membership License Agreement and the FTD Standards. (Including but not limited to the Clearinghouse rules)
- 9.1.6 The term "**termination**" shall mean the termination of membership in FTD and all of FTD's benefits and services, including, but not limited to, FTD's Clearinghouse, Mercury Network communications system, and other business operations, or any Member's Trademark Membership License Agreement or Licensing of FTD Images.

9.2 Common Membership. When two or more Member shops have identical ownership, and one of those shops is disciplined for failure to meet its financial obligation to FTD or for violation(s) of any FTD Standard, all other Member shops and affiliated Member shops with identical ownership may be similarly disciplined.

9.3 Responsibility for Representatives Designated Management and Employees. A Member is responsible for the actions of its representatives, designated management and employees and can be disciplined for the actions of such representatives, designated management and employees. Each Member is responsible for any actions of its proprietors, partners, officers, shareholders, management personnel and employees.

10.0 QUALITY, SUBSTITUTIONS, CUSTOMER SATISFACTION, INVENTORY CONTROL AND TESTING

10.1 Quality and Inventory Control Requirements. Members shall:

- 10.1.1 Use only fresh flowers and plants.

- 10.1.2 Substitute only in emergencies (see discussion in Section 10.2).
- 10.1.3 Maintain in stock reasonable quantities and assortment of containers and supplies of FTD Branded, Everyday and Holiday Products, as the same are identified periodically by FTD. FTD reserves the right to ship these products directly to each Member as needed to ensure that FTD's quality standards are maintained.
- 10.1.4 Maintain a minimum inventory of fresh cut flowers, blooming plants, foliage plants and dish gardens (planters) of good to excellent quality sufficient to fill a full array of floral orders.
- 10.1.5 Ensure all cut flowers on display are fresh and of good to excellent quality and must be shown in attractive containers.
- 10.1.6 Ensure all refrigeration is kept clean and in good repair. Adequate refrigeration is required. Refer to floral care and handling best practices.
- 10.1.7 Maintain on the premises at all times, sufficient supplies of design materials, containers, baskets, ribbon, and other staple supplies at their main location.
- 10.1.8 Consult the FTD Floral Selections Guide and Workbook (the "Floral Selections Guide") found at <https://www.ftdi.com/membermarketing/fsg/>. The Floral Selections Guide will help Members insure greater accuracy in the FTD orders and improve order quality and consistency. The cost of this valuable guide will appear on each Member's Clearinghouse Statement for the month following shipment.

10.2 Order Substitution:

FTD policy regarding the substitution of floral items listed in the Floral Selections Guide is as follows:

- 10.2.1 There shall be no substitution in the arrangements of assorted flowers (including design style, shape, look or size), if at all possible, and the colors shown in the online Floral Selections Guide should be used, even if this means substituting other kinds of flowers.
- 10.2.2 When substitution is necessary, the substitution should reflect the same color, value and look as the ordered arrangement.
- 10.2.3 In arrangements of all one kind of flower, such as roses, the variety of choice and color should not be changed.
- 10.2.4 Do not substitute:
 - Containers for sprays.
 - Baskets for wreaths.
 - Foliage plants for blooming plants.
 - Cut flowers for corsages.
 - Plants for flowers.
 - Permanent arrangements for fresh arrangements.
- 10.2.5 When substitution is absolutely necessary, the Filling Member:
 - Must seek substitution approval from the Sending Member.
 - May choose to notify the recipient of the reason for substitution.
 - Must make a satisfactory replacement when a customer complaint results from improper substitution, or, if the customer insists on a refund, pay an adjustment to the Sending Member.

10.3 Customer Satisfaction. It is the responsibility of both the sending Member and the Filling Member to insure complete customer satisfaction on all FTD orders, up to and including a full refund to the ordering customer by the Sending Member, if necessary, and/ or a replacement of

the product to the receiving customer by the Filling Member.

Every Member shall offer the following Satisfaction Guarantee to every customer purchasing an FTD order. **The Satisfaction Guarantee applies on orders sent through FTD and on FTD and Proflowers branded products.**

As professional florists, we guarantee your satisfaction with every order sent through FTD for delivery in the United States and Canada.

If you are not satisfied with the product as delivered, we will send a replacement or refund the full purchase price, at your option. All you need to do is provide us with a copy of the sales slip, charge receipt, or otherwise establish proof of purchase within ten days of delivery of your FTD order. You may call, come in person or write to us.

If a refund or replacement order is provided to a customer making a claim under the Satisfaction Guarantee against the Sending Member, it is the primary responsibility of the Sending Members and Filling Members to agree between them on the allocation of the refund or replacement order. However, if a Member asks FTD to arbitrate between Members with respect to such liability, FTD may charge the Sending Member and/or Filling Member an administrative fee, which fee shall not exceed an amount that will be established by FTD in connection with such arbitration, in addition to any additional assessments made against either Member pursuant to FTD's arbitration procedures.

10.4 Testing. FTD has determined that quality is a critical part of customer satisfaction and repeat business. FTD has instituted a Test Order Program conducted by a third party entity aimed at improving our delivery through our Member network of quality floral products. Therefore our Members are subject to being test ordered and evaluated as to meeting FTD order specifications and quality standards at all times. In addition, FTD may adopt from time to time rules and regulations regarding the conduct of the test order program and of sending order audits. For your convenience, the current FTD rules and regulations regarding test orders are reproduced below.

10.4.1 FTD Test Order Program and Sending Order Audit Rules and Regulations. FTD is committed to quality and the Test Order Program. FTD will select Members based on complaints or chosen at random to test.

10.4.2 The Test Order Program works as follows:

10.4.2.1 Evaluation Process. The third party evaluation includes a quality assurance questionnaire to be completed on each test order addressing the following four categories of service:

- Delivery
- Accuracy
- Quality
- Overall Customer Satisfaction

Following completion of the test order, the final results are uploaded into an FTD-branded web-based portal for viewing by FTD.

10.4.2.2 Test Order Results. Once the final test order results are made available to FTD, one of the following actions may occur:

Test Order SUCCESS

- Letter of congratulations for successfully completing a third-party test order.
- Award certificate of compliance to FTD Quality Assurance requirements.

Test Order NON-CONFORMANCE

First non-conforming test order results in mandatory remedial process which requires Member to:

- Complete online remedial awareness, education and training program; and
- Schedule for retest within 90 days.

Second consecutive non-conforming test order requires Member to:

- Pay \$200 fine;
- Complete additional online remedial awareness, education and training;
- Schedule for retest within 90 days;
- Reimburse FTD \$50 to offset cost of product and shipping; and
- Reimburse FTD \$50 to offset fees for third party retesting and follow-up reporting/ tracking.

Third consecutive non-conforming test order requires Member to:

- Pay \$300 fine;
- Complete additional online remedial awareness, education and training;
- Schedule for retest within 90 days;
- Reimburse FTD \$50 to offset cost of product and shipping; and
- Reimburse FTD \$50 to offset fees of third party retesting and follow-up reporting/ tracking.
- In addition, FTD may suspend Member or publish Member's FTD member number in the FTD Online Directory.

Fourth consecutive non-conforming test order requires Member to:

- Pay \$400 fine;
- Reimburse FTD \$50 to offset cost of product and shipping; and
- Reimburse FTD \$50 to offset fees of their party testing and follow-up termination proceedings.

The online remedial awareness, education and training process is intended to assist Members when challenged in meeting FTD quality standards aimed at customer satisfaction. This process helps reduce the risk of repeated failures to meet FTD quality standards in the fulfillment of consumer orders. It also provides Members and their employees the opportunity to further enhance their floral and business skills through online learning and training opportunities.

11.0 TERMINATION OF MEMBERSHIP

- 11.1 Voluntary Termination.** Should a Member choose to initiate a request for membership termination with FTD, such Member shall promptly notify membership@ftdi.com with the

requested voluntary termination date and reason for termination. FTD will consider such Member's termination request and if unable to mutually resolve such member's concerns, process such member's termination request effective upon notice in writing from member of agreement of such termination. Upon closure of such account, FTD shall proceed in the normal course to terminate such Member's listing in the FTD Directory. The deadline for voluntary membership termination request is two times per year – May 31 (with termination effective November 1) and November 30 (with termination effective May 1). Such Member's obligation to pay FTD for use of FTD's Clearinghouse services, communication systems and other business operations and services shall continue until the Member's shop listing is removed in the ordinary course from the FTD Directory as provided above. Payment in full for all balances owed on your account is due immediately upon termination. All final settlement checks will be mailed within 90 days after termination of your FTD Membership. The final settlement check will be mailed to your mailing address and will be payable to the shop name. If you require any changes prior to the mailing of this final settlement check, please contact Member Services.

- 11.2 Termination by FTD.** FTD may at its sole discretion terminate the membership of any Member for reasons set forth above or for any other reason or no reason upon written notice to the Member at such Member's last known physical mailing address or email address in FTD's records. Such notice shall be effective upon (a) mailing by certified mail return receipt requested, or overnight mail by Federal Express, DHL, UPS or other courier service with confirmation of delivery, (b) facsimile transmission with confirmation of receipt at facsimile address of Member furnished to FTD by such Member, or (c) emailing. Payment in full for all balances owed on your account is due immediately upon termination. All final settlement checks will be mailed within 90 days after termination of your FTD Membership. The final settlement check will be mailed to your mailing address and will be payable to the shop name. If you require any changes prior to the mailing of this final settlement check, please contact Member Services.

For additional information regarding these FTD Standards, please contact your FTD Field Account Manager (FAM).