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# Returned Goods Policy

Red Dot's principle policy is to assist our Warehouse Distributors in maintaining the correct stock of parts and units required to service our customer's needs. In this vein, Red Dot provides the following policy to assist in that endeavor. With the aid of our field sales representatives, we encourage our distributors to monitor and adjust their inventories so as to maintain the parts and products needed to service our customers as well as maintaining good business practice inventory turns and current merchandise.

## 1. Initial Stock Return

Warehouse Distributors who purchased their initial inventory from Red Dot may return any items which prove to be slow movers or show no movement after their first anniversary but prior to their second anniversary. This return must be accompanied by an offsetting purchase order equal to the dollar amount being returned. On the initial stock return, no handling charge will be applied. All merchandise must be in its original packaging and in saleable condition. Additional charges may be levied for product requiring repackaging.

- a. A Return Goods Authorization Number (RGA#) must be requested and visibly identifiable on all shipping containers and packing slips.
- b. Freight charges are to be prepaid by the Warehouse Distributor.
- c. Credit will be issued at the purchased price.

## 2. Annual Stock Return (Oct-Nov-Dec)

Warehouse Distributors are eligible for an annual stock return not to exceed 5% of the dollar value of the previous calendar years purchases. All returns must exceed \$1,000.00 in cost. Annual stock returns are to be accompanied by an offsetting purchase order equal to the dollar amount being returned and a 20% handling/restocking charge will be applied. Annual stock returns cannot be offset by any Red Dot program offerings. All merchandise must be in its original packaging and in saleable condition.

- a. Annual stock return requests must be submitted in the **fourth quarter (Oct-Nov-Dec)** of the calendar year and will be processed on a first come first serve basis. Red Dot will then issue a RGA # and assign a calendar date on which your stock return will be processed. The physical stock return must be received prior to the assigned date or your return will be not be processed until the next available date.
- b. A Return Goods Authorization Number (RGA#) must be requested and visibly identifiable on all shipping containers and packing slips.
- c. Only one surplus material return is allowed per calendar year.
- d. Warehouse Distributors with more than one location will be allowed to return up to 5% of their previous calendar years purchases as a whole and either submit an overall offsetting purchase order or orders and a 20% handling/restocking charge will be applied. Submittal of the request must be done by the bill to location and each location will receive a RGA # and date for their return. Credit will be issued per location.
- e. All items returned under the annual stock return must be sent freight prepaid.
- f. All units being submitted for the annual stock return must be listed by part number, revision level and date of manufacture.
- g. Return of any product is limited to 5 years from package date, with the following exceptions.
  - i. Receiver-Driers must be capped and have been properly stored to prevent moisture contamination. Receiver-Driers that have been contaminated by moisture are non-returnable.
  - ii. No return of tools will be allowed.
  - iii. All rubber related products, such as coolant hose, refrigerant hose, seals and o-rings are limited to 2 years from package date.
  - iv. No return of refrigerant hose fittings will be allowed.

## 3. Incidental Returns

Warehouse Distributors who order an incorrect part or experience a customer cancellation will be allowed to return those parts under the following procedure.

- a. A list of the items to be returned must be submitted to Red Dot in order to receive a RGA # so that the product and credit can be properly processed.
- b. The parts requested to be returned must exceed \$200.00 in cost, be in its original packaging and in saleable condition. Additional charges may be levied for product requiring repackaging.
- c. A 20% handling charge shall apply to all incidental returns.
- d. All items returned under the incidental return must be sent freight prepaid.

## Return Procedures

1. All returns must have a RGA # and be visibly identifiable on all shipping containers and packing slips.
2. All returned material must conform to Red Dot's packaging standard.
  - a. All pallets/skids must be clearly marked with the ship to and return address, RGA # and pallet/skid count, i.e., 1 of 2, 2 of 2.
  - b. Containers or cartons must not overhang the edge of the pallet/skid.
  - c. Return product must be sufficiently shrink wrapped and strapped to the pallet/skid to prevent movement or loss of merchandise during transit.
  - d. Maximum pallet/skid height is not to exceed 52 inches to facilitate Red Dot rack system.
  - e. Small cartons or bagged parts must be segregated by part number and be packaged in multiples in a master container.
  - f. Sufficient packaging must be present to eliminate unused space within larger cartons.
3. All material returned to Red Dot will be subject to normal receiving inspection. Materials deemed unacceptable for sale by Red Dot will be scrapped 20 days after date of credit memo unless parts are requested to be returned.

## Credit Procedures

The following are standard procedures applicable to all credit transactions.

1. Except in the case of cancellation or termination of a distributor's agreement, all credits will be in the form of a credit memo, not in the form of cash or check.
2. Credit carry-over from year to year is not permissible.
3. Red Dot will issue credit within 45 days upon receipt of the returned material except for annual returns whereupon credit will be issued within 30 days of the date assigned for processing of the annual return.

**This Return Goods Policy supersedes all previous return goods policies expressed or implied.**