



HUDSON'S BAY CO.

A handwritten signature in black ink, appearing to read 'Wade Taylor'.

SOCIAL COMPLIANCE MANUAL

2011



Founded in 1670 by King Charles II, the Hudson's Bay Company played a vital role in building Canada as a nation.



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CHAPTER 1

INTRODUCTION

Introduction

The goal of a social compliance program is to ensure products are produced in humane conditions, as well, to protect the integrity of Hudson’s Bay Company’s (HBC) and Lord & Taylor’s assortment of brands. The Hudson’s Bay Company includes The Bay, Zellers, Home Outfitters, and FIELDS.



HBC and Lord & Taylor aim to improve workplace conditions in factories as part of the social responsibility companies’ hold when operating in a global supply chain.

HBC and Lord & Taylor’s social compliance program is mandatory. All domestic and import vendors supplying national, private, captive or vendor label merchandise are required to disclose their facilities and participate in factory audits. If the vendor or brand manages and enforces their own social compliance program, the vendor may submit supporting documents to demonstrate that it meets HBC and Lord & Taylor’s standards outlined in Code of Vendor Conduct. Failure to fully disclose or cooperate will lead to cancelled purchase orders or in some cases termination of business by HBC and Lord & Taylor. Please refer to the chart below.

HBC and Lord & Taylor Social Compliance Program Coverage

Private, Captive and Vendor Brands	Recognized National Brands
<ul style="list-style-type: none">Suppliers producing private and captive branded merchandise are required to participate and achieve compliance with HBC’s Social Compliance program; this includes disclosing all factories used for production.	<ul style="list-style-type: none">Not included in this program if the national brand manages and enforces their own social compliance programs e.g. Polo Ralph Lauren, Timberland, Disney, LG, General Electric
<ul style="list-style-type: none">All domestic and direct importers under all vendor set-ups are required to participate in HBC’s Social Compliance – this includes new and existing vendors.	<ul style="list-style-type: none">HBC and Lord & Taylor reserve the right to audit and enforce social compliance on select national brands if deemed necessary

Objectives and Policy

The Social Compliance program evaluates and directs the ethical standards of HBC and Lord & Taylor's supply chain. Our goal is to ensure products are manufactured by suppliers who manage and operate their factories according to local laws, as well as operating in a socially responsible manner. This includes managing human resources, employing environmental business practices, and complying with legal expectations. Our social compliance policy is communicated in all of our business agreements, such as the *Import Purchase Order*, and the *Master Merchandise Vendor Agreement* (MMVA). Vendors supplying to Lord & Taylor are required to sign the *Lord & Taylor Manufacturing Agreement*, the *Manufacturer's Certification* and the *Lord & Taylor Sub-Contractor Manufacturing Agreement* which contain our social compliance policy and requirements.

Suppliers will benefit from this program by having minimal risk of civil and criminal liabilities within the local countries where they operate. As well, suppliers will be able to maintain good standing for continued business with HBC and Lord & Taylor. By working together HBC and Lord & Taylor and our suppliers will have the capability of maintaining and/or improving the supply chain to enable continued success in producing quality private and captive branded products for Canadian consumers.

This easy-to-use manual details the social compliance program for HBC and Lord & Taylor which includes policy and process. The manual will guide you along each step of the social compliance process and the standards Suppliers must meet to successfully conduct business with HBC and Lord & Taylor. For Lord & Taylor suppliers, the *Lord & Taylor Manufacturing Agreement*, the *Manufacturer's Certification* and the *Lord & Taylor Sub-Contractor Manufacturing Agreement* are included at the end of this manual.

A supplier's success in participating in the program will shape the quality of the business relationship with HBC and Lord & Taylor. Participation in the program will also drive the amount of future business. Suppliers and factories that participate in the program have the potential to become long-term business partners. Those who do not meet our standards are phased-out. Our goal is to ensure all suppliers and their factories are successful.

This manual advises suppliers (i.e. vendor, factory and/or agent) of the following goals:

1. Protect HBC and Lord & Taylor's private branded products and ensure they are produced in humane conditions that respect the human principles as reflected by the International Labor Organization (ILO) and the United Nations (UN).
2. Educate suppliers and their manufacturing factories to ensure compliance with these standards and safeguarding the workforce.
3. Support continuous improvement with respect to compliance within our supplier base.
4. Garments manufactured for Hudson Bay Company (HBC) and Lord and Taylor (L&T) must meet a variety of quality standards with regard to their construction. These standards are given in this section. Additional requirements can be found in the specification sheet for each style.

The Product Development Process

The diagram on the right illustrates the general the product development process for all private and/or captive branded products.

Please ensure you have carefully reviewed all information in this manual. It is important to understand our social compliance requirements and the timing of factory approvals.

Social Compliance is the first step in our product development process. Request for product testing and/or inspections will not be facilitated unless a factory's social compliance status has been confirmed/approved by HBC and Lord & Taylor's Social Compliance department.

Once a supplier's factory has been approved for social compliance, a vendor number will be issued from HBC and/or L&T's finance department and a purchase order will be issued.

1. Social Compliance

2. Sampling

3. Packaging

4. Pre-Production

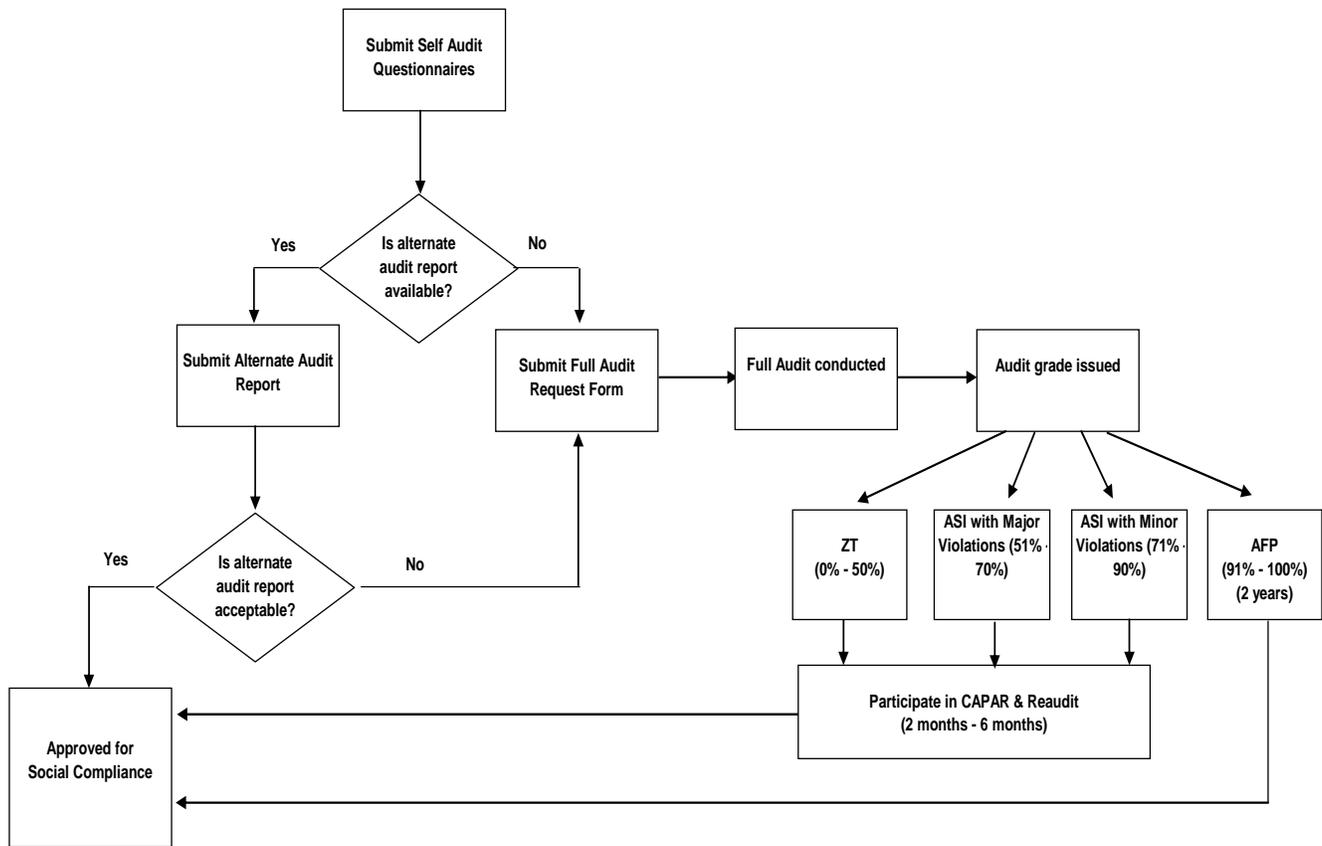
5. Production Stage

6. Post Production

CHAPTER 2

THE SOCIAL COMPLIANCE PROGRAM

Each and every factory producing for HBC and Lord & Taylor must be reviewed for social compliance prior to production. HBC and Lord & Taylor's Social compliance program is divided into a three part approach: self audit questionnaire, 3rd party alternate audit report and full audit. Once it has been decided that a factory will produce for HBC and/or Lord & Taylor, this factory proceeds with providing documents and/or participating in a social compliance audit to ensure that the factory is adhering to the HBC and Lord & Taylor Code of Vendor Conduct (see page 27).



Types of Social Compliance Audit

Self Audit Questionnaire

The self audit questionnaire is a mandatory first level check completed by the factory manager. The Social Compliance team will review the self audit questionnaire to determine the next steps to be taken by each factory to complete their full participation in our Social Compliance program. It is however important to note that the questions must be answered with honesty and due diligence.

Alternate Audit Report

Once the self audit questionnaire has been reviewed, the factory will be requested to participate in a full audit through HBC and Lord & Taylor's nominated third party auditing agency. However, if the factory has been audited within the past six months by another retailer or brand, the factory will be given the option to submit the following documents for review:

- A copy of that brand/retailer's Code of Vendor Conduct
- A copy of that brand/retailer's Social Compliance program
- A copy of the factory's audit report(s) for that brand/retailer

If all three documents meet the standards set out in the HBC and Lord & Taylor Code of Vendor Conduct, the social compliance team will accept the submitted alternate audit report in lieu of a full audit. HBC and Lord & Taylor expect suppliers to continue with re-audits, corrective actions and factory improvements based on the alternate audit report results. Please note HBC and Lord & Taylor may request a full audit at any time to confirm findings in an alternate audit and/or confirm corrective actions.

The Initial Audit

Suppliers that are working with Li & Fung will be required to participate in an audit to be conducted by Li & Fung's Vendor Compliance team. If the alternate audit report is not available or does not meet HBC and Lord & Taylor's standards, Li & Fung will conduct an initial audit. A corrective action plan will be issued and suppliers will be required to implement the corrective action plan in a timely manner. Subsequent audits may be conducted by Li & Fung's Vendor Compliance team or by HBC and Lord & Taylor's nominated third party auditing agency.

Suppliers not working with Li & Fung will be audited by our nominated third party auditing agency. Suppliers must complete the audit request form (see page 24) and submit the form to HBC and Lord & Taylor's Social Compliance department prior to production. Once the audit request form has been submitted, the Social Compliance department will forward it to the nominated auditing agency to process. The auditing agency will contact the vendor directly to issue an invoice and notify the factory of the two week window of the audit based on the audit request form as all HBC

and Lord & Taylor audits are unannounced. Once the audit is conducted, HBC and Lord & Taylor will release the audit report to the supplier within seven (7) business days. It is the supplier's responsibility to ensure that the CAPAR is implemented within the factory and all violations are corrected before the next follow-up audit.

Vendor Participation and Funding

HBC and Lord & Taylor's Social Compliance program is a supplier-funded program. Suppliers are to pay for the social compliance audits and are to ensure compliance of their factory. The cost of the initial audit is \$850 (US). For re-audits, the audit fee is \$450 (US). Please note a fee is also applied when auditors are denied entry and a subsequent visit is required. To avoid paying this fee, vendors are strongly advised to communicate with their factories and advise them to prepare for the audit.

Cancellations or rescheduling requested more than 2 business days but within 5 business days before the committed audit day will be liable for 50% of the full audit charge in addition to traveling expenses already incurred and non-refundable. If notice of cancellation or rescheduling of a monitoring visit is requested within 48 hours (two business days) notice or less of the scheduled date, the full audit fee is charged in addition to any non-refundable and already incurred travel expenses. If an access denied occurs during the day of the audit, there will be a full audit fee charge in addition to any non-refundable and already incurred travel expenses.

All vendors who meet the HBC and Lord & Taylor Code of Vendor Conduct in their initial (year one) audit will be subject to an annual audit in their subsequent years to ensure the factory is consistently adhering to HBC and Lord & Taylor's standards. The annual audit is \$850 (US).

IMPORTANT: The prices quoted above apply to the Asia Pacific region only. For all other regions please contact social.compliance@hbc.com. In countries where there is no local presence by the auditing agency, a cost estimate will be provided to the HBC and Lord & Taylor Social Compliance Manager for approval and sent to suppliers for review before audit arrangements are made.

Post Audit and Re-audits

Depending on the grade the factory received, a re-audit may be necessary. The grade and audit schedule is outlined in the following chart:

	Grade	Re-audit Schedule	Production Schedule
91% - 100%	Approved for Production	Factory will be audited in 1 to 2 years time.	Factory may proceed with production.
71% - 90%	Approved for Production – Subject to Improvement with Minor Violations	Factory will be re-audited in 6 months time.	Production may continue but there may be delay or cancellation due to results of re-audit.
51% - 70%	Approved for Production – Subject to Improvement with Major Violations	Factory will be re-audited in 6 months time.	Production may continue but there may be delay or cancellation due to results of re-audit.
0% - 50%	Zero Tolerance	Factory will be re-audited in 2 months.	Production may be postponed or not accepted.
Denied Entry	Denied Entry	Factory will be re-audited immediately.	Production may not commence until an audit is conducted.

The Corrective Action Plan Acknowledgement Report (CAPAR)

The Corrective Action Plan Acknowledgement Report (CAPAR) provides the supplier and/or factory a summary of violations and/or concerns that demonstrate non-compliance. It is the responsibility of the supplier to review the report and CAPAR and discuss the findings with the factory. Should a re-audit be required, the factory should receive clear information regarding violations cited and expected timeframe of implementing changes to demonstrate compliance. Corrective actions must be completed before the next audit. A follow-up audit will be scheduled to verify these corrective actions and that the factory meets all the requirements.

CHAPTER 3

THE SUPPLIER'S RESPONSIBILITY

All suppliers are required to participate in HBC and Lord & Taylor's Social Compliance program. Suppliers must also comply with all laws and regulations mandated by the country in which the merchandise is manufactured. If a factory has breached a local law, HBC and Lord & Taylor will take appropriate action. Actions may range from working with the supplier to ensure that steps are taken to address the violations and prevent reoccurrence, to cancelling orders, terminating business with the vendor, and/or commencing legal action against the relevant parties.

Everyone participates

HBC and Lord & Taylor's Social Compliance program is mandatory. All domestic and direct suppliers manufacturing private, captive or vendor label merchandise, regardless of the order size, are required to fully disclose their factories and participate in the factory audits. This means that every factory, including the subcontractors must be approved by HBC and Lord & Taylor before they can begin production.

IMPORTANT: Vendors that misrepresent and or do not disclose the factory location(s) of where HBC and/or Lord & Taylor merchandise is manufactured will face a financial penalty per factory or will lead to termination of business by HBC and Lord & Taylor.

Understand the HBC and Lord & Taylor Code of Conduct

All suppliers are to comply with the HBC and Lord & Taylor Code of Vendor Conduct , which includes all applicable country labor laws. This Code reflects the basic principles of the International Labor Organization and the United Nations. Suppliers using factories that breach this code will be given two to six months to correct their shortcomings. Failure to correct these violations may lead to a suspension of business until the vendor is fully compliant. The vendor should ensure that their factories understand the Code and display the Code in an area accessible to employees.

Know Local Laws & Regulations

Suppliers must comply with all laws and regulations mandated by the country in which the merchandise is manufactured. If a factory has breached a local law, HBC and Lord & Taylor will take appropriate action. Actions may range from working with the supplier to ensure that steps are taken to address the violations and prevent reoccurrence, to cancelling orders, terminating business with the vendor, and/or commencing legal action against the relevant parties.

Zero Tolerance Violations

Child labor, forced labor, and transshipment will not be tolerated. It does not matter if the merchandise is being manufactured, in transit or on the retail floor. Goods from factories found with zero tolerance violations will be rejected or recalled at the expense of the supplier.

Three Strikes

HBC and Lord & Taylor exercise a Three Strike policy. One strike will be issued for each of the following:

- Receives three consecutive Approved for Production Subject to Improvements grades (ASI)
- Receives a Zero Tolerance grade
- Fail to disclose the factory name and location

If a vendor/factory receives three strikes within 12 months period, HBC and Lord & Taylor will reassess its business relationship with the vendor.

Subcontractors

All subcontractors used by a factory must be fully disclosed to HBC and/or Lord & Taylor for approval. The subcontracting factory will be required to complete a self-audit and will participate in a full audit if an acceptable alternate audit report is not available.

Homeworking

All suppliers who use homeworkers are required to undergo a full audit by HBC and Lord & Taylor's nominated auditing agency.

The full audit will largely be comprised of:

- Site visit to supplier location
- Review of paperwork and permits granted by the local government to the supplier which authorizes homework.
- Spot of check of a minimum of 2 homework locations to ensure compliance to legal requirements. Locations will be selected by the auditor.

In the event that local laws are not explicit about homework conditions, HBC and Lord & Taylor will apply the basic principles of the United Nations (UN) and International Labor Organization (ILO) in terms of what is understood as acceptable work conditions.

Be Honest

Factory managers must provide required documentation to auditors for review - i.e. payroll information, identity papers, age documentation etc. during an audit. Any inconsistencies found during the review will be considered false documentation and must write something here.

Ensure Continuous Improvements

Monitoring factories for social compliance is ongoing. The initial audits ensure the factories are meeting HBC and Lord & Taylor's Code of Vendor Conduct. The annual audits monitor a factory's standards over time and ensure ongoing improvements are underway. Suppliers and factories that receive favorable audit results will be exempted from annual audits for up to two years.

Respond In Timely Manner

HBC and Lord & Taylor will send three notifications to suppliers to ensure full participation in the social compliance program. Failure to respond in a timely manner will result in non-activation and/or termination of a supplier's vendor number.

Be Environmentally Friendly

HBC and Lord & Taylor expect factory managers to conduct their business using innovative environmental practices and take active steps to preserve and protect the well-being of the environment. Factory managers must adhere to all applicable environmental laws and regulations regarding protection and preservation of the environment in their country.

Next Steps...

Congratulations! Once you have completed your participation in HBC and Lord & Taylor's Social Compliance program, you may now proceed with testing and/or pre-shipment inspection for your future POs.

CHAPTER 4

CONTACT INFORMATION

Contact Information

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Senior Manager, Social Compliance

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Helena Curin

Social Compliance Analyst

Tel : 905 595 7867

e-mail : helena.curin@hbc.com

Glossary of Terms

Transshipment

Transshipment occurs when a shipment of goods is sent to an intermediate destination, then to another destination. This can be quite legitimate and is fairly common, but it can also be a method used to disguise intent, as is the case with illegal logging, smuggling, or grey market goods.

Audit Grades:

Zero Tolerance

The factory will be re-audited as early as two months. Production will be postponed or not accepted.

Approved for Production (subject to improvement)

The factory will be re-audited within six months. Production may continue but there may also be a delay or cancellation depending on the results of the audit.

Approved for Production

The factory will undergo an annual audit within one to two years and may proceed with production.

Denied Entry

The factory will be audited immediately. Production may not commence until a full audit is conducted.

Audit Request Form

Please fill out the Audit Request Form completely, including full factory contact information. If you have more than one factory producing HBC and Lord & Taylor goods, please provide all factory information. Completed forms and inquiries should be sent to social.compliance@hbc.com. For questions about the audit request form, please contact:

HBC and Lord & Taylor Social Compliance

Tel: 905 792 4665

Fax: 905 595 7250

e-mail :social.compliance@hbc.com

Vendor Information

Vendor Name (Billable Party*):			
Principal Contact:			
Address:	No.	Street:	
	City:	Province	Country
	Postal Code:		
 E-mail :	 Telephone:	 Fax:	

*The vendor noted above is financially responsible for the cost of the audit and will be billed by the auditing agency.

Factory Information

Production Factory A

Name of Production Factory:

Principal Factory Contact:

Title:

Address of Factory:

Country:

Telephone

Fax:

E-mail:

Production Factory B

Name of Production Factory:

Principal Factory Contact:

Title:

Address of Factory:

Country:

Telephone

Fax:

E-mail:

Production Factory C

Name of Production Factory:

Principal Factory Contact:

Title:

Address of Factory:

Country:

Telephone

Fax:

E-mail:

How to Prepare for an Audit

The following tips will allow you to prepare for the social compliance audit and assist you with bringing your factory into full compliance.

1. Pay for your audit - not paying for an audit results in non-participation in the HBC and Lord & Taylor Social Compliance program. If delinquent payment persists, it could result in the eventual termination of work orders.
2. Make sure factory personnel and/or security are aware an unannounced visit by social compliance auditors will take place and have permission to be on the premises. Have factory managerial personnel available at all times to provide the necessary information to conduct the audits.
3. The auditors visit will take 1-2 days.
4. Ensure factory manager understands the factory should be 100% operational in order to allow for accurate reporting.
5. Ensure factory manager understands required documentation will be required by auditors for review - required i.e. payroll information, identity papers, age documentation etc.
6. If you receive a Self-Audit questionnaire, review the Self-Audit Questionnaire with factory manager. Ensure they understand all the questions and answers expected.
7. Prepare the factory based on the Self-Audit Questionnaire i.e. PERMANENTLY DISCONTINUE ANY INSTANCES of child labor, forced labor, transshipment, etc. to ensure 100% social compliance.
8. Explain to the factory that interviews with randomly selected employees will be conducted and that employees should be allowed to meet privately with the auditor.
9. Understand the Vendor Code of Conduct and review HBC and Lord & Taylor's policy with the factory.
10. 1Ensure factory is following local laws and legal expectations are being met.

The Hudson's Bay Company and Lord & Taylor Supplier Code of Conduct

A. Expected Ethical and Business Standards

Hudson's Bay Company (HBC) and Lord & Taylor (L&T) intend to conduct business in an ethical and socially responsible manner. We are determined to build our business together with our suppliers based on the highest ethical principles of trust, teamwork, honesty, and respect for the rights and dignity of others. We seek suppliers who demonstrate a commitment to contribute to the improvement of community working conditions and who strive to meet our requirements as stated in this code.

This code applies to suppliers of HBC/L&T and their respective banners, which include the Bay, Zellers, Home Outfitters, Fields and Lord & Taylor stores. Suppliers are also expected to ensure that their suppliers and subcontractors are aware of and comply with the code.

Suppliers authorize HBC/L&T or its designated agent to conduct unannounced inspections of Suppliers' facilities, during which all premises may be inspected, workers interviewed, and books and records reviewed. If HBC/L&T determine that a supplier has violated the code, the supplier will be required to implement a corrective action plan and to achieve compliance within a specified time. Alternatively, HBC/L&T reserve the right to cancel orders and/or terminate the relationship.

B. Compliance with legal requirements and industry standards

Suppliers must comply with all legal requirements as well as the standards of their industry, in the countries in which they do business. Where industry standards are more rigorous than legal requirements, there must be compliance with the higher standard.

C. Confidentiality

Suppliers must hold all information (other than that in the public domain) concerning the affairs of HBC/L&T which may be communicated to them or to which they may have access, in trust and confidence for HBC/L&T and not use such information other than for the benefit of HBC/L&T.

D. Zero Tolerance for Corrupt Practices

HBC/L&T have a zero tolerance policy for corrupt practices, including bribery or any other practice intended to reward, or otherwise encourage non-compliance with our requirements and/or legal requirements.

E. Compliance with Privacy Legislation

Suppliers must comply with all privacy legislation, and also ensure that its actions (or lack of them) do not result in non-compliance by HBC/L&T.

F. Suppliers Must Not Solicit HBC or L&T Employees

Suppliers must not directly or indirectly solicit, offer employment to, or in any manner encourage employees of HBC or L&T to leave their employ.

G. HBC/L&T Accounting and Auditing Complaints Policy (“Whistle Blowing”)

Suppliers must comply with the HBC/L&T Accounting and Auditing Complaints Policy, as fully set out in <http://www.hbc.com/hbc/vendorrelations/vendorsguide/>. Complaints can be made anonymously to the “Hotline” by calling 1-800-668-TIPS from Monday to Friday, 9:00 a.m. to 4:00 p.m. (Toronto time).

H. Employment Standards

⊗ No Forced Labor

Employment must be voluntary, and respect the right of employees to decide to work or not. Suppliers must not use forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.

⊗ No Child Labor

Child labor is not permissible. Workers must be at least 15 (or 14 where the law of the country of manufacture allows), or the age at which compulsory schooling has ended, whichever is greater. In jobs with hazardous working conditions, workers must be at least 18.

We support the development of legitimate workplace apprenticeship programs for the educational benefit of younger people as long as they are not being exploited or given jobs that are dangerous to their health or safety. Children may not be employed during school hours; and the combined time at school and work (including transportation) cannot exceed 10 hours a day.

👏 No Harassment or Abuse

Every employee must be treated with respect and dignity. No employee may be subject to any physical, sexual, psychological or verbal harassment or abuse including the use of physical punishment.

✍ Freedom of Association and Collective Bargaining

Management practices must respect the right of employees to free association and collective bargaining where allowed by law.

⊗ No Discrimination

Employees must not be subject to discrimination in employment, including with respect to hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religious or personal beliefs, age (other than normal and legally allowed hiring or retirement limitations), disability, sexual orientation, maternity or marital status, nationality, political opinion, union participation, social or ethnic origin or membership in any legal organization. Employment decisions must be made solely on the basis of knowledge, skill, efficiency and ability to do the job and meet its requirements.

✚ Health and Safety

Suppliers must provide a safe and healthy work environment. Factories producing HBC/L&T merchandise must provide adequate ventilation, first aid supplies, fire exits and safety equipment, well-lit workstations, clean washing facilities and an adequate number of toilets for both men and women, access to clean drinking water; and Supplier must ensure that all are well maintained and in good working order. Worker housing and dining facilities, where provided by the supplier, must meet a reasonable standard of health and safety.

\$ Wages and Benefits

We are committed to the betterment of wage and benefit levels that address the basic needs of workers and their families so far as possible and appropriate in light of national economic conditions. Suppliers must pay the higher of, the prevailing industry wage, the minimum wage, or a wage that results in a decent living. Suppliers must provide all legally mandated benefits.

🕒 Hours of Work/Overtime

Suppliers must maintain reasonable work hours. HBC/L&T define a standard work week to be not more than 48 hours (unless the local law provides for a shorter period), and considers all additional hours to be overtime. Suppliers must compensate for overtime at the greater of the regular hourly rate and such higher rate as required by law, regardless of whether workers are compensated hourly or by piece rate. In the absence of exceptional circumstances, HBC/L&T will favor Suppliers who utilize less than a sixty-hour work-week. Unless exceptional circumstances exist, employees must be permitted at least one day off in every seven-day period, and also leave privileges.

🗣️ Resolution of Disputes

There must be a dispute resolution process to allow employees to voice workplace grievances without the fear of reprisal.

🌱 Environmental Requirements

HBC/L&T will favor suppliers who conduct their business using progressive environmental practices and take active steps to preserve and protect the well-being of the environment, including complying with all applicable laws and regulations in respect of protecting the environment and maintaining procedures for notifying local authorities in the event of an environmental accident resulting from Supplier's operations.

In jurisdictions in which a supplier is required to participate in an environmental stewardship program, it will provide HBC/L&T with written proof of participation, and its registration number(s); in other jurisdictions it will provide HBC/L&T with detailed packaging information formatted as requested, and promptly inform HBC/L&T of any changes to such packaging. HBC/L&T will calculate environmental stewardship fee(s) and where such fee(s) are not collected at "point of sale" and supplier is not a participant of the applicable environmental stewardship program(s), these fees will be payable forthwith by supplier to HBC/L&T.

✈ Transshipment

Suppliers must establish and maintain programs and documentation to support country-of-origin production verification, to prevent the illegal transshipping of merchandise.

🗣 Familiarization with, and display of this Supplier Code of Conduct

Suppliers will familiarize their workers with this Code, and will display this Code, translated in the local language, at each of its facilities in a place readily visible and accessible to workers.

MANUFACTURING AGREEMENT

THIS AGREEMENT made this _____ day of _____, 2011

(Day)

(Month)

by and between Lord & Taylor LLC, a Delaware Limited Liability Company, having an office at 424 Fifth Avenue, New York, NY 10018, United States of America (hereinafter referred to as the "Company"), and _____, having an office at

(Manufacturer's Name)

(Manufacturer's Office Address)

(Manufacturer's City)

_____ and a factory _____

(Manufacturer's Country and postal code)

(Factory Name)

located at _____,

(Factory's Street Address)

(Factory's City)

_____ (hereinafter referred to as the

(Factory's Country and postal code)

to as the "Manufacturer").

WITNESSETH:

WHEREAS, Manufacturer is engaged in the manufacture of certain products or their components; and

WHEREAS, Company wishes to contract with Manufacturer for manufacture of certain products or their components, which products and its components may bear the trademark Lord & Taylor or trade name Lord & Taylor, or related logos, including combinations, and other trademarks owned by Lord & Taylor as are from time to time used by Company or any of its affiliates, whether registered or unregistered (the "Trademarks"); and

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereby agree as follows:

1. THE PRODUCTS.

For purposes of this Agreement, **the term "Products" means completed products-bearing the Trademarks, including the components of such completed products, whether or not such components themselves bear the Trademarks, and their packaging, as required by the Company.**

2. TERM.

(a) The term of this Agreement shall commence as of the date hereof and continue through December 31, 2011 and year to year thereafter so long as the parties continue business.

(b) In the event that Manufacturer shall have faithfully performed each and every obligation of this Agreement during the Term referred to in Paragraph 2(a) above, then this Agreement shall automatically renew from month to month commencing immediately upon expiration of the Term, unless either party has given the other thirty (30) days written notice of its intention to terminate the Agreement.

3. MANUFACTURE.

(a) Manufacturer shall only manufacture the specific number of Products as requested by Company and at no time shall manufacture excess goods or overruns. Manufacturer shall not at any time during the term or thereafter sell, transfer or otherwise dispose of any Products or packaging bearing the Trademarks to any third parties without the express prior written consent of Company.

(b) Company has created certain designs and patterns from which Manufacturer will create three-dimensional samples. Company shall advise Manufacturer if the samples meet Company's quality requirements within fifteen (15) days of receipt. Manufacturer shall make any modifications to the samples as required by the Company. Samples accepted by Company shall be designated as prototypes for the purposes of this Agreement. Manufacturer shall comply with all terms of Company's purchase orders. Manufacturer shall follow Company's Current Quality Assurance procedures and standards and its fabric and garment testing requirements.

(c) Manufacturer understands, accepts, will abide by and shall ensure all Products are manufactured or caused to be manufactured in compliance with the Company's Quality Assurance Manual and procedures and standards and fabric and garment testing requirements that are in effect at the time of manufacture. Manufacturer and its Suppliers (as hereinafter defined in Paragraph 4(c) below) shall notify Company in writing as indicated below if a particular fabric does not meet Company's fabric testing requirements.

4. COMPLIANCE WITH HUDSONS'S BAY COMPANY AND LORD & TAYLOR SUPPLIER CODE OF CONDUCT; APPLICABLE LAWS.

(a) Attached hereto as Exhibit B is Company's Supplier Code of Conduct (the "Code"). As a condition to manufacturing Products hereunder, Manufacturer shall comply with the terms of the Code and evidence such compliance by, (1) upon execution of this Agreement, executing the Manufacturer Certification annexed hereto as Exhibit A or such other form as may be provided by Company from time to time, and returning such document to Company, (2) publicly displaying the Code, in the form provided by Company from time to time, in clearly visible locations in Manufacturer's facility at all times while this Agreement is in effect and (3) executing the Manufacturer Certification once a year thereafter during every year in which the Agreement is in effect.

(b) In order to ensure compliance with the Code, Company has developed a program of monitoring its manufacturers and such manufacturers' Subcontractors (as hereinafter defined in Paragraph 4(c) below) (hereinafter the "Supplier Monitoring Program"). As a condition to manufacturing Products hereunder, Manufacturer hereby agrees that it shall cooperate fully with the Supplier Monitoring Program, which cooperation includes but is not limited to Company's inspections in accordance with Paragraph 5, below.

(c) For purposes of this Agreement: (i) a "Subcontractor" is an entity or an individual which Manufacturer hires, pays, directs or uses to perform manufacturing tasks or processes on the Products and (ii) a "Supplier" is an individual or entity that produces components of the Products, and provides such components to Manufacturer in order to assemble the finished Products. Examples of a Supplier include, but are not limited to, fabric/trim manufacturers, yarn manufacturers, or zipper manufacturers, provided that such named manufacturers do not contribute further to the manufacture of the finished Products. Prior to utilizing any Subcontractor(s) or Supplier(s) for the manufacture of the Products, and within two weeks of the execution of this Agreement, Manufacturer shall provide written notice to Company of: (i) the name and address of each such Subcontractor and/or Supplier; (ii) the nature and type of work performed or product supplied to Manufacturer.

(d) Within thirty (30) days from executing this Agreement for any existing Subcontractor and Supplier, and within thirty (30) days after establishing a new arrangement with a Subcontractor or Supplier, Manufacturer shall obtain and provide to Company the signature of an authorized representative from each of its Subcontractors (if any) used in the manufacture of Products for Company on a Subcontractor Manufacturing Agreement which is annexed hereto as Exhibit C. Manufacturer shall further obtain from each of Manufacturer's Suppliers of fabric and provide to Company a duly executed copy of the Fabric Supplier Certification (in the form annexed hereto as Exhibit E or such other form as is provided by Company from time to time). Manufacturer shall also obtain from each of Manufacturer's Suppliers of trim or any other products used in the manufacture of Products for Company on a Supplier Certification (in the form annexed hereto as Exhibit D or such other form as is provided by Company from time to time). In the event Manufacturer has knowledge of, has reason to believe, or should have reason to know that any Subcontractor or Supplier used by Manufacturer is in breach of the Subcontractor Manufacturing Agreement or Supplier Certification, as the case may be, Manufacturer shall immediately notify Company and Manufacturer shall, at its sole expense, take immediate action to rectify such breach to the Company's satisfaction, including, where Company deems it necessary, immediate termination of its relationship with such Supplier or Subcontractor. If Manufacturer fails to take immediate action, Company shall have the right to terminate this Manufacturing Agreement immediately or take such other action as it shall deem necessary, all at Manufacturer's sole cost and expense. Manufacturer acknowledges that it shall remain primarily liable and completely obligated under all of the provisions of this Agreement in respect of such subcontracting and supplier arrangement. Manufacturer's failure to obtain a Subcontractor Manufacturing Agreement from a Subcontractor or to obtain a Certification from a Supplier within the above-specified time periods and once each ever year thereafter during which the Supplier is used by Manufacturer shall be grounds for immediate termination of the Manufacturing Agreement by Company.

(e) Manufacturer certifies that it has in effect a program of monitoring its Subcontractors and Suppliers which manufacture the Products, which is sufficient to ensure their compliance with the Code and all applicable federal, state, local and foreign laws and regulations pertaining to wages, overtime compensation, benefits, hours, hiring and employment, workplace conditions and safety, the environment, collective bargaining, freedom of association and that their products or and the components thereof are made without the use of child (persons under the age of 15 or younger than the age for completing compulsory education, if that age is higher than 15), prison, indentured, exploited bonded, forced or slave labor. Company and its representatives shall have the right to review all of Manufacturer's records including those that contain, refer or relate to reviews, inspections, evaluations and audits of Manufacturer's factory and residential facilities and of Manufacturer's Subcontractors and Suppliers and their facilities concerning compliance with applicable laws, the Code or with laws. Company's determination that Manufacturer is in breach of this Agreement as a result of its failure to: (i) comply with the Code or with the above-mentioned or applicable laws, (ii) monitor its Subcontractors or Suppliers adequately to ensure compliance with the Code and the above-mentioned laws or (iii) to provide such required and accurate documents to Company shall be grounds for immediate termination of the Manufacturing Agreement by Company. In the event of such a breach, Company, at its election, shall be entitled to elect some or all of the following remedies as well as any other remedy it may obtain in law or in equity: (i) Manufacturer shall reimburse Company for all costs and expenses including, but not limited to, Company's reasonable attorney's or auditor's fees related to any Code, legal, or monitoring violations, as determined or alleged by Company or as alleged or reported by any other party, (ii) Manufacturer shall pay to Company a fine payable in United States dollars, the amount of which shall be determined by Company but shall not exceed an amount equal to two times the amount Manufacturer charged Company for such Products plus the Company's profits from the sale of such products, for any use of any Subcontractors or Suppliers, which were not approved by Company, monitored by Manufacturer to the Company's standards or to its satisfaction and/or which Company deems not to have complied with its Code or with any applicable laws, (iii) Manufacturer shall pay Company two times the United States dollar amount, as determine by Company, of any legal violation, including, but not limited to, alleged violations of the Fair Labor Standards Act of 1938, including, but not limited to, any amendments thereof, and all regulations and orders of the United States Department of Labor under Section 14 thereof, and the "hot goods" and "hot cargo" provisions of the act involving restrictions on the use of underaged employees and any laws, rules and regulations concerning workplace safety, or any related laws, rules or regulations, or of the Code, (iv) Manufacturer shall pay Company in United States dollars any amounts the United States Department of Labor, any State Department of Labor or any other governmental entity determines is owed by Company, Manufacturer, or its Subcontractors or Suppliers working on Products, for any violations of the Fair Labor Standards Act of 1938, including, but not limited to, any amendments thereof, and all regulations and orders of the United States Department of Labor under Section 14 thereof, and the "hot goods" and "hot cargo" provisions of the act involving restrictions on the use of underaged employees and any laws, rules and regulations concerning workplace safety, or any related laws, rules or regulations, or for any violation of State labor or workplace safety laws, rules or regulations, or of the Code; (v) Manufacturer shall pay Company in United States dollars any amount Immigration and Customs Enforcement, the Department of Homeland Security, U.S. Customs and Border Protection, or U.S. Citizenship and Immigration Services fines and/or determines is owed by Company; and (vi) the cost, as determined by Company, of transferring and shipping any orders and materials with or en route to Manufacturer or its Subcontractors or Suppliers, to any Manufacturer or other entity chosen by Company to make or to complete any Products which were being or would have been made or worked on by Manufacturer or its

Subcontractors and Suppliers. Company may set off any amounts due to it hereunder against any amounts it owes to Manufacturer.

(f) Manufacturer shall manufacture or cause all Products manufactured in the United States, to be manufactured in compliance with all applicable requirements of Sections 6, 7, and 12 of the Fair Labor Standards Act of 1938, as amended, and all regulations and orders of the United States Department of Labor under Section 14 thereof, and the “hot goods” and “hot cargo” provisions of the act involving restrictions on the use of underaged employees, and federal, applicable state and local laws pertaining to child labor, minimum wage and overtime compensation, and, if the Products are manufactured outside the United States, Manufacturer shall manufacture or cause such Products to be manufactured in compliance with all applicable laws, including but not limited to, wage, overtime compensation, benefits, hour, hiring and employment, workplace conditions and safety, environmental, collective bargaining, freedom of association laws of the country of manufacture and without the use of child (persons under the age of fifteen or younger than the age for completing compulsory education, if that age is higher than 15), prison, indentured, exploited bonded, forced or slave labor; and Manufacturer shall manufacture or cause all Products to be manufactured in compliance with the Code, wherever such Products are manufactured.

(g) Manufacturer acknowledges that it has read and understands the Code and Company’s policy with regard to the manufacture of Products for Company. Manufacturer certifies that it is currently in compliance with the Code. Manufacturer further agrees that once every year during which the Agreement is in effect it shall execute the Manufacturer Certification evidencing its continuous compliance with the Code and the Manufacturer Certification, and shall execute and abide by all Certifications requested and provided by Company from time to time. Failure by Manufacturer to execute the Manufacturer Certification or to abide by the Code and the Certification shall be grounds for immediate termination of this Agreement by Company.

(h) Manufacturer shall ensure that the Products shall be produced in compliance with all laws applicable to the designation of country of origin and will be shipped under a legally issued and valid export license or visa.

5. INSPECTION; TESTING.

(a) Manufacturer shall arrange for and provide access to Company and/or Company’s representative, including, but not limited to, any independent entity designated by Company or Company’s legal representative, to: (i) Manufacturer’s manufacturing facility, residential facilities (if any) and any manufacturing and/or residential facility operated by any of Manufacturer’s Subcontractors; (ii) Manufacturer’s and Manufacturer’s Subcontractors’ books, records and documents necessary to evidence Manufacturer’s and Manufacturer’s Subcontractors’ compliance with the Code and all applicable laws, rules and regulations including, but not limited to, employee wages, employee timecards, withholding rates and deductions, worker’s contracts and/or agreements, any company policies affecting employees, evidence of employee age, shipping documents, cutting reports and other documentation relating to the manufacture and shipment of the Products; and (iii) Manufacturer’s books, records and documents relating to the use of chemicals and dyestuffs in the fabrics, trims, garments and other merchandise manufactured hereunder; and (iv) Manufacturer’s books, records and documents relating to country of origin and export license and visa requirements, and verification thereof. For purposes of this Paragraph, all such books,

records and documents shall be maintained by Manufacturer and by its Subcontractors in a secure and readily accessible location for a period of three (3) years from their creation.

(b) The access provided by Manufacturer as set forth in Paragraph 5(a) above, shall include Company's right to inspect, test, and take samples of the Products, whether finished or semi-finished, at any time during the manufacturing process to ensure that the manufacture of the Products is in accordance with the terms and restrictions herein contained.

(c) Company shall have the right to reject any Products or packaging not meeting the standards described herein. Manufacturer shall not have the right to sell or otherwise distribute any rejected Products or packaging. All such products shall be destroyed according to methods and procedures provided by Company.

(d) For all fabrics, trims, garments and other merchandise manufactured by Manufacturer or caused to be manufactured by Manufacturer hereunder, prior to commencing final production of the Products, Manufacturer shall provide to Company in a format acceptable to Company, copies of all test results for all tests required by its Quality Assurance Manual or otherwise designated by Company from time to time, indicating that such fabrics and trims meet Company's standards. Together with such test results, Manufacturer shall provide to a Company designated commercial laboratory no less than a two (2) yard cut of each such fabric and trim to be tested independently by such Company designated laboratory. In the event the test results from Company's independent laboratory's testing of any fabric or trim do not match the results provided by Manufacturer, or the test results provided by Manufacturer do not meet with Company's standards, Company shall so notify Manufacturer and Manufacturer shall cease all production then in progress relating to such fabric or trim until such time as the discrepancies are remedied. Manufacturer shall maintain, with its books and records, copies of all test results for all fabric or trim supplied to Company, for a period of three (3) years from the date of testing.

(e) Company shall have the right to conduct scheduled, unscheduled, announced and/or and unannounced inspections at Manufacturer's facilities. If Manufacturer uses an approved Subcontractor, Manufacturer shall ensure that Company may so inspect the Subcontractor's facilities.

6. SHIPPING LEGEND.

All commercial invoices (bills of lading) which accompany all Products must include the following language (either pre-printed or “stamped”):

“We hereby certify that the Products covered by this shipment were, if manufactured in the United States, produced in compliance with all applicable requirements (1) of Sections 6, 7, and 12 of the Fair Labor Standards Act of 1938, as amended and all regulations and orders of the United States Department of Labor under Section 14 thereof, and the “hot goods” and “hot cargo” provisions of the act involving the restrictions on the use of underaged employees; (2) federal, state and local laws pertaining to child labor, minimum wage and overtime compensation; or if the Products were manufactured outside the United States, they were produced in compliance with the wage and hour laws of the country of manufacture and without the use of child (persons under the age of 15 or younger than the age for completing compulsory education, if that age is higher than 15), prison, indentured, exploited bonded, forced or slave labor; and that all Products, wherever manufactured, were produced in compliance with Hudson’s Bay Company and Lord & Taylor’s Supplier Code of Conduct. We further certify that we have in effect a program of monitoring our Subcontractors and Suppliers which manufacture the Products which is sufficient to ensure such entities’ compliance with the foregoing. We also certify that upon importation (if applicable) this shipment is in compliance with all laws applicable to the designation of country of origin and is being shipped under a legally issued and valid export license or visa.”

Any Products shipped that are not accompanied by a commercial invoice bearing the required language will be subject to rejection and to being returned to Manufacturer at Manufacturer’s expense. Manufacturer may be charged for any and all costs that are incurred by Company due to the rejection, including, but not limited to, damages sustained as a result of Company’s liability to customers, any resulting fines and penalties and attorney’s fees for said rejected Products. Such rejected Products may not be sold or distributed by Manufacturer to any entity other than Company.

7. SECONDS, THIRDS OR EXCESS GOODS. Manufacturer shall not have the right to sell, transfer, or otherwise dispose of any Products or packaging including, but not limited to Products which are determined to be seconds, thirds or are in excess of the amount of the Products requested by Company. At Company’s option, all seconds, thirds or excess Products, including

trims, shall be (a) purchased by Company at a reasonable fair market price or (b) be disposed of or destroyed by Manufacturer. Company shall exercise such option by written notification to Manufacturer. Company shall have the right to inspect any seconds, thirds or excess Products to ensure that they comply with the terms of this Agreement. This paragraph shall survive the expiration and termination of this Agreement.

8. STOLEN GOODS OR DAMAGED GOODS. Manufacturer will provide Company with immediate notice of any stolen Products or damaged Products including Products that were then in production. With regard to damaged Products, Manufacturer shall not have the right to sell, transfer, or otherwise dispose of any damaged Products. With regard to stolen Products, Manufacturer shall cooperate with Company with respect to any action regarding the stolen Products.

9. DESIGN OWNERSHIP. All rights, including without limitation, copyright, trade secret and design patent, to designs for the Products including, without limitation, artwork, prints, patterns, package designs, labels, advertising or promotional materials or any other designs using or used on or affixed thereto, and to any package design, bearing the Trademarks shall, as between the parties hereto be the property of Company.

10. MANUFACTURER'S WARRANTIES AND REPRESENTATIONS.

Manufacturer warrants and represents that:

(a) it has and will have throughout the term of this Agreement, the full power, authority and legal right to execute and deliver, and to perform fully and in accordance with all of the terms of this Agreement.

(b) the entering of this Agreement by Manufacturer does not violate any agreements, rights or obligations existing between Manufacturer and any other person, entity, or corporation.

(c) it is not engaged in and will not engage in any activities which are in violation of the Code, applicable laws, any applicable domestic, foreign or international laws, rules or regulations, including without limitation laws, rules or regulations governing labor, the environment, the manufacture and sale of goods, U.S. Customs laws or illegal transshipment. Company maintains a policy against engaging in any illegal activities and will not buy or sell products provided throughout the use of any unlawful or unethical practices.

(d) it accurately states the country of origin on all products, that it does not and will not transship, and it will act to stop or prevent any known illegal transshipment activity.

(e) it shall not utilize, nor permit any of its subcontractors or suppliers to utilize in the manufacture or treatment of any of the Products (including the components thereof) manufactured hereunder any Azo dyes that can be split into amines.

11. COMPANY'S WARRANTIES AND REPRESENTATIONS.

Company warrants and represents that:

(a) it has, and will have throughout the Term of this Agreement, the right to authorize use of the Trademarks to Manufacturer in accordance with the terms and provisions of this Agreement; and

(b) the entering of this Agreement by Company does not violate any agreements, rights or obligations existing between Company and any other person, entity, or corporation.

12. CONTRACTOR STATUS

(a) Manufacturer shall at all times in the course of furnishing services to Company be an independent contractor with respect to Company. Nothing in this Agreement creates a relationship of agency, partnership, or employment between Manufacturer and Company, and no act or obligation of either Manufacturer or Company shall in any way bind the other to a relationship different from the independent contractor one set forth in this paragraph.

(b) All persons employed or retained by Manufacturer to perform services in connection with this Agreement shall be employees and/or contractors of Manufacturer for all purposes and at all times during the term of this agreement. The parties agree that this Agreement establishes Manufacturer solely as an independent contractor.

13. MANUFACTURER'S EMPLOYEES

(a) It is agreed that all persons employed or retained by Manufacturer to perform services under this Agreement are, and shall at all times be considered, employees and/or contractors of Manufacturer only, and shall not be considered employees, contractors, or agents of Company.

(b) Manufacturer's employees, contractors and agents are not eligible for, and shall not be eligible to participate in and shall not participate in, any profit-sharing, pension, health, dental, education reimbursement coverage, compensation incentives or other benefit plan or program provided to or maintained for the benefit of Company employees. Manufacturer shall promptly notify all employees, contractors and agents who perform services under this Agreement of these provisions and obtain a written acknowledgement from each that these terms are acceptable.

(c) Manufacturer agrees to hire and retain its employees only in conformity with Applicable Laws and the Codes.

14. GOVERNMENT COMPLIANCE

(a) Manufacturer agrees that it shall, where legally required, pay for all persons performing work in connection with this Agreement, all federal, state and local payroll, withholding and other required taxes, including Federal Insurance Contribution Act (FICA), Federal Unemployment Tax Act (FUTA), state and local unemployment insurance taxes and all other payroll

withholding taxes. Company shall not withhold or be liable for any federal, state nor local income taxes or payroll taxes of any kind that are required for any Manufacturer employee.

(b) Manufacturer agrees that it has complied and shall continue to comply with all Applicable Laws, rules, regulations, and orders of the United States, and any state or local government, or political subdivision thereof, pertaining to: (a) labor, wages, hours and other conditions of employment (including the Fair Labor Standards Act and all applicable anti-discrimination statutes and regulations); (b) completion and verification of the Form I-9's to determine identity and authorization to work under the Immigration Reform and Control Act of 1986 ("IRCA") and all related regulations and administrative decisions; (c) IRCA's anti-discrimination and document verification provisions; (d) the H-1B and L-1 Reform Acts; and (e) environmental, safety and health laws and regulations (including the Occupational Safety and Health Act and any similar state law or plan).

(c) Manufacturer shall maintain personnel, Form I-9 and payroll records with respect to every employee, contractor or agent that are required by any Applicable Laws, including all federal, state or local law or regulation, and shall permit Company, and its representatives, to inspect those records relating to all employees, contractors and/or agents working at its premises under this Agreement.

(d) Manufacturer shall adequately and reasonably screen all employees, contractors and agents before they are hired to work under this Agreement in accordance with all Applicable Laws, including pre-employment and other appropriate drug screening and criminal background checks. Manufacturer also shall ensure that its employees, contractors and/or agents are authorized to work and receive adequate training in all aspects of the services to be performed under this Agreement, including training in related safety and health issues.

INDEMNIFICATIONS.

(a) Company hereby indemnifies Manufacturer and shall hold it harmless from any loss, liability, damage, cost or expense (including reasonable attorney's fees) arising out of any claims or suits which may be brought against Manufacturer by reason of the breach by Company of the warranties or representations as set forth in Paragraph 11, above, provided that Manufacturer gives prompt written notice, and full cooperation and assistance to Company relative to any such claim or suit, and that Company shall have the option to undertake and conduct the defense of any suit so brought. Manufacturer shall cooperate fully in all respects with Company in the conduct and defense of said suit and/or proceedings.

(b) Manufacturer indemnifies and agrees to hold Company harmless from any loss, liability, damage, cost or expense (including reasonable attorney's fees), arising out of (i) any breach of the terms herein contained; (ii) any claims or suits by reason of any unauthorized use by Manufacturer in connection with the Products or the Trademarks covered by this Agreement; (iii) Manufacturer's or Manufacturer's Subcontractors' or Suppliers' noncompliance with any applicable federal, state, or local law or with any other applicable governmental units or agency's rules, regulations; (iv) any alleged defects and/or inherent dangers in the Products or use thereof; and (v) Manufacturer's or Manufacturer's Subcontractors' or Suppliers' alleged noncompliance with or

violations of the Code, laws, rules or regulations or any investigations conducted or allegations made by any entity relating to the same, as determined by Company.

15. TERMINATION.

(a) Unless otherwise specifically provided herein, Company shall have the right to terminate this Agreement upon written notice to Manufacturer if Manufacturer breaches any of its obligations under this Agreement or such other occurrences as outlined below, and such breach remains uncured or cannot be cured by Manufacturer within ten (10) days from mailing of notice;

(b) Company shall have the right to terminate this Agreement immediately upon written notice to Manufacturer, if Manufacturer is found at any time to be in breach of the representation made in Paragraph 10(c) or if any governmental agency or other body or office of official vested with appropriate authority deems the Products to be harmful or defective in any way, manner or form, or are being sold or distributed in contravention of applicable laws and regulations or in a manner likely to cause harm;

(c) Company shall have the right to terminate this Agreement immediately upon written notice to Manufacturer, if Manufacturer manufactures the Product without the prior written approval of Company as provided herein;

(d) Company shall have the right to terminate this Agreement upon ten (10) days written notice to Manufacturer, if Manufacturer is unable to pay its debts when due, or makes any assignment for the benefit of creditors, or files any petition under the bankruptcy or insolvency laws of any jurisdiction, country or place, or has or suffers a receiver or trustee to be appointed for its business or property, or is adjudicated a bankrupt or an insolvent;

(e) Company shall have the right to terminate this Agreement upon ten (10) days written notice to Manufacturer, if Manufacturer fails to make timely delivery of the Products; or

(f) Notwithstanding the foregoing provisions, Company shall have the right to terminate this Agreement, with or without cause, upon thirty (30) days notice to Manufacturer, provided however, that, upon written approval by Company, Manufacturer shall have the right to complete any work then in progress.

16. ACTS UPON EXPIRATION OR TERMINATION OF THIS AGREEMENT.

(a) Upon and after the expiration or termination of this Agreement, Manufacturer agrees not to make reference in its advertising or its business materials to having been formerly associated with Company or the Trademarks.

(b) Upon and after the expiration or termination of this Agreement, Manufacturer will refrain from further use of the Trademarks or of anything confusingly similar thereto, in connection with the manufacture of any products. Additionally, all originals and copies of all sketches, patterns, prototypes, samples or other materials relating to the Products shall, at

Company's written election, either be immediately returned by Manufacturer to Company or be destroyed by Manufacturer under Company's supervision.

(c) In the event of expiration or termination of this Agreement, as herein provided, with the exception of the Products which Manufacturer may, with Company's consent, ship to satisfy any unfilled, confirmed orders for the current season it had received prior to said expiration or termination, Company shall have the prior right and option to purchase any or all of the Products and packaging materials, as then in Manufacturer's possession or carried on its books of account. Upon such termination or expiration, Manufacturer shall immediately cause physical inventories to be taken of (i) Products on hand; (ii) Products in the process of manufacture; and (iii) all packaging materials, which inventories shall be reduced to writing and a copy thereof shall be delivered to Company not later than fifteen (15) days from such termination or expiration. Written notice of the taking of each inventory shall be given Company at least forty-eight (48) hours prior thereto. Company shall have the right to be present at such physical inventory or to take its own inventory, and to exercise all rights it has available with respect to the examination of Manufacturer's books and records.

(d) Manufacturer recognizes that any sale, transfer or disposal of the Products upon termination or expiration, would cause irreparable damage to the prestige of Company and to the Trademarks, and to the goodwill pertaining thereto.

(e) Upon expiration or termination of this Agreement, Manufacturer shall cease the manufacture of Products.

17. NOTICES.

All notices which either party hereto is required or may desire to give shall be given by addressing the same to the address hereinafter in this paragraph, or at such other address as may be designated in writing by any party in a notice to the other given in the manner prescribed in this paragraph. All such notices shall be sufficiently given when mailed by registered or certified mail.

The addresses to which any such notices shall be given are the following:

TO COMPANY:

LORD & TAYLOR
424 Fifth Avenue
New York, New York 10018

ATTN.:
John Manos, Esq.
General Counsel

TO MANUFACTURER:

OFFICE ADDRESS:

ATTN.:

18. NO PARTNERSHIP, ETC.

This Agreement does not constitute and shall not be construed as a partnership or joint venture between Company and Manufacturer. Neither party shall have any right to obligate or bind the other party in any manner whatsoever, and nothing herein contained shall give, or is intended to give, any rights of any kind to any third persons.

19. NON-ASSIGNABILITY, ETC.

This Agreement shall inure to the benefit of Company, its parents, subsidiaries, affiliates, related companies, successors and assigns. This Agreement is personal to Manufacturer, and Manufacturer shall not franchise its rights hereunder and neither this Agreement nor any of the rights of Manufacturer hereunder shall be sold, transferred or assigned by Manufacturer and no rights hereunder shall devolve by operation of law or otherwise upon any receiver, liquidator, trustee or other party.

20. SEVERABILITY.

If any provision or any portion of any provision of this Agreement shall be construed to be illegal, invalid, or unenforceable, such shall be deemed stricken and deleted from this Agreement to the same extent and effect as if never incorporated herein, but all other provisions of this Agreement and remaining portion of any provision which is illegal, invalid or unenforceable in part shall continue in full force and effect.

21. HEADINGS.

The headings of the Paragraphs of this Agreement are for convenience only and shall in no way limit or affect the term or conditions of this Agreement.

22. COUNTERPARTS.

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

23. CONSTRUCTION.

This Agreement shall be construed in accordance with the laws of the State of New York of the United States of America without regard to its Conflict of Laws rules, with the same force and effect as if fully executed and to be performed therein.

24. JURISDICTION.

The parties hereby consent to the exclusive jurisdiction and venue in the United States District Court for the Southern District of New York and of any of the courts of the State of New York in any dispute arising under this Agreement and agree further that service of process or notice in any such action, suit or proceeding shall be effective if in writing and delivered in person or sent as provided in Paragraph 21 hereof.

25. WAIVER, MODIFICATION, ETC.

No waiver, modification or cancellation of any term or condition of this Agreement shall be effective unless executed in writing by the party charged therewith. No written waiver shall excuse the performance of any acts other than those specifically referred to herein. The fact that Company has not previously insisted upon Manufacturer expressly complying with any provision of this Agreement shall not be deemed to be a waiver of Company's future right to require compliance in respect of any act, term or condition shall not prevent Company from subsequently requiring full and complete compliance thereafter. The parties agree and acknowledge that this Agreement supersedes all prior Agreements between the parties.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the date first written above.

Lord & Taylor

[MANUFACTURER'S NAME TYPED]

By: _____

By: _____
[Authorized Signature]

Date: _____

Date: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Manufacturer Certification

In consideration of Lord & Taylor LLC, a Delaware Limited Liability Company placing orders with us for the manufacture of certain products or their components and/or other merchandise or its components from time to time, which products or their components and/or other items of merchandise and its components which may bear the trademark Lord & Taylor LLC, the trade name Lord & Taylor LLC, or related logos, crests, emblems or symbols, and combinations, forms and derivatives thereof as are from time to time used by Lord & Taylor LLC or any of its affiliates, whether registered or unregistered (the "Trademarks[m111]") products bearing the Trademarks are hereinafter referred to as the "Products"), and in compliance with Lord & Taylor LLC ,Lord & Taylor's Manufacturing Agreement with us (the "Agreement"), we hereby certify that:

1. Any Products we manufacture or cause to be manufactured under the Agreement will be manufactured in compliance with: (1) all applicable requirements of Sections 6, 7, and 12 of the Fair Labor Standards Act of 1938, as amended, and all regulations and orders of the United States Department of Labor under Section 14 thereof, and the "hot goods" and "hot cargo" provisions of the act involving restrictions on the use of underaged employees; (2) applicable federal, state and local laws pertaining to child labor, minimum wage and overtime compensation; (3) the wage, overtime compensation, benefits, hour, hiring and employment, workplace conditions and safety, environmental, collective bargaining, freedom of association laws of the country of manufacture and without the use of child (persons under the age of 15 or younger than the age for completing compulsory education, if that age is higher than 15), prison, indentured, exploited bonded, forced or slave labor if the Products are manufactured outside the United States; and (4) the Hudson's Bay Company and Lord & Taylor Supplier Code of Conduct which is annexed hereto as Exhibit B wherever manufactured.
2. We currently have in effect and will maintain a program of monitoring all of our Suppliers[m12], Subcontractors, subcontract sewing shops and other designated contract facilities producing the Products for compliance with Paragraph I above.
3. We will obtain the signature of an authorized representative of our Suppliers, Subcontractors, subcontract sewing shops and other designated contract facilities[m13] producing the Products on a current Subcontractor Manufacturing Agreement, Supplier Certification or other agreement, as provided by Lord & Taylor LLC.
4. Within two (2) weeks[m14] of the execution of this Certification, we will provide to Lord & Taylor LLC the names and addresses of all of our Suppliers, Subcontractors, subcontract sewing shops and other designated contract facilities producing the Products under the Agreement and all such Products shall be manufactured solely in factories (whether operated by our Suppliers, Subcontractors, subcontract sewing shops or designated contract facilities) that have been inspected and approved in writing by our authorized employee or agent.

5. All shipping documents which accompany all Products will include the following language (either pre-printed or "stamped[m15]"):

"We hereby certify that the Products (including the components thereof) (hereinafter referred to as the "Products") covered by this shipment were, if manufactured in the United States, produced in compliance with all applicable requirements (1) of Sections 6,7, and 12 of the Fair Labor Standards Act of 1938, as amended, and all regulations and orders of the United States Department of Labor under Section 14 thereof, and the "hot goods" and "hot cargo" provisions of the act involving restrictions on the use of underaged employees; (2) federal, state and local laws pertaining to child labor, minimum wage and overtime compensation; or if the Products were manufactured outside the United States, they were produced in compliance with the wage and hour laws of the country of manufacture and without the use of child (persons under the age of 15 or younger than the age for completing compulsory education, if that age is higher than 19, prison, indentured, exploited bonded, forced or slave labor; and that all Products, wherever produced, were produced in compliance with the Hudson's Bay Company and Lord & Taylor Supplier Code of Conduct. We further certify that we have in effect a program of monitoring our Subcontractors and Suppliers and other designated contract facilities which manufacture the Products which is sufficient to ensure such entities' compliance with the foregoing. We also certify that upon importation (if applicable) this shipment is in compliance with all laws applicable to the designation of country of origin and is being shipped under a legally issued and valid export license or visa."

6. Neither we, nor any of our Subcontractors or Suppliers, will in the manufacture or treatment of any of the Products manufactured hereunder use any restricted substances[m16].

Azo dyes or pigments that can be split into any of the following: amines:

	CAS#		CAS#
4-Aminobiphenyl	92-67-1	3,3 '-Dimethoxybenzidine	119-90-4
Benzidine	92-87-5	3,3 '-Dimethylbenzidine	119-93-7
4-Chloro-o-toluidine	95-69-2	95-69-2	838-88-0
2-Naphthylamin	91-59-8	4,4'diaminodiphenylmethane	
o-Aminoazotoluol	97-56-3	p-Kresidin	120-71-8
2-amino-4-nitrotoluol	99-55-8	4,4'Methaylen-bis	101-14-4
p-Chloroaniline	106-47-8	(2-cliloranilin)	
2,4-Diaminoanisole	61 5-05-4	4,4'Oxydianiline	101-80-4
4,4'-Diaminodiphenylmethane	10 1-77-9	4,4'Thiodianiline	139-65-1
3,3 '-Dichlorbenzidin	9 1-94- 1	o-Toluidine	95-53-4
4-Aminoazobenzene	60-09-3	2,4-Toluylenediamine	95-80-7
4-Aminoazobenzene	60-09-3	2,4-Toluylenediamine	95-80-7
o-Anisidine	90-04-0	2,4,5-Trimethylaniline	137-17-7

Disperse Dyes:

Disperse Blue 1	2475-45-8	Disperse Blue 35	12222-75-2
Disperse Blue 106	12223-0 1-7	Disperse Blue 124	61951-51-7
Disperse Orange 3	730-40-5	Disperse Orange 37	12223-33-5
Disperse Orange 76	51811-42-8	Disperse Red	2872-52-8
(previously Orange 3 7)		Disperse Yellow 3	2832-40-8

Flame Retardants:

Octabromodiphenyl ether (OctaBDE)	32536-52-0	Pentabromodiphenyl ether (PBDE)	32534-8 1-9
Polybromobiphenyles (PBP)	59536-65-1	Tris (1-axiridinyl)	545-55-1
phosphineoxide (TEPA)		Tris (2,3 dibromopropyl)- phosphate (TRIS)	126-72-7

and Blue Colourant: Index No. 61 1-070-00-2, EC-No. 405-665-4. The above list may be amended without notice to include additional banned substances.

7. We, and our subcontractors or suppliers, will only use the following chemicals in connection with the manufacture or treatment of any of the Products manufactured hereunder, in accordance with the following standards or any further standards Creative Design Studios, LLC designates from time to time:

(a) Formaldehyde: For garments worn directly against the skin, formaldehyde content in the fabric must be less than 75 p.p.m. when tested by the Acetylacetone method in accordance with Japanese law 112. For garments in sizes up to and including 4T (Toddler), formaldehyde content in the fabric must be less than 20 p.p.m. regardless of whether they are worn directly or indirectly against the skin. For other garments, formaldehyde content in the fabric must be less than 300 p.p.m.

(b) Pentachlorophenol (anti-mildew) and pesticide residues: Must be less than 5p.p.m.

(c) Nickel: Any metal parts of a garment or other Merchandise coming into contact with the skin, must be “Nickel-free[M17]”. The requirement is a “transfer to the skin” measurement and the “nickel-free” standard is <0.5 micrograms per square centimeter per week.

[MANUFACTURER'S NAME TYPED]

Date: _____ By: _____

[Authorized Signature]

Print Name: _____ v _____

Title: _____

Address: _____

Telephone: _____

Fax : _____

SUBCONTRACTOR MANUFACTURING AGREEMENT

Manufacturer _____, as set forth
(MANUFACTURER'S NAME)

below, has entered into a Manufacturing Agreement with Lord & Taylor LLC, a Delaware Limited Liability Company ("Company") for the manufacture of certain products or their components, which products or their components may bear the trademark Lord & Taylor LLC, a Delaware Limited Liability Company, the brand name LORD & TAYLOR, or related logos, crests, emblems or symbols, and all combinations, forms and derivatives thereof as are from time to time used by Company or any of its affiliates, whether registered or unregistered (the "Trademarks[m18]") (products bearing the Trademarks are hereinafter referred to as the "Products").

1. Manufacturer _____
wishes to use (Manufacturer's Name)
_____ located at
_____, (Subcontractor's Name)
(Subcontractor's Address) _____,
_____ (hereafter (Subcontractor's City)
(Subcontractor's Country and Postal Code) "Subcontractor") to perform the
following services in connection with the manufacture of the Products. Subcontractor will
perform _____
(describe services)

services on the Products for Manufacturer. Manufacturer acknowledges it is responsible for ensuring that the Products produced by Subcontractor are produced in full compliance with all legal requirements, including, but not limited to, those under the Manufacturing Agreement in place between Manufacturer and Company (the "Agreement") and applicable federal, state and local laws, including but not limited to those relating to child labor, minimum wage, workplace conditions and safety, environmental laws, country of origin requirements and in compliance with the Hudson's Bay Company and Lord & Taylor Supplier Code of Conduct (the "Code"). Manufacturer specifically agrees to indemnify and hold Company harmless for any losses Company might suffer, in connection with any allegations made about or claims made on Company including, but not limited to, Company's reasonable attorney's fees[m19] incurred as a result of Manufacturer subcontracting any work to Subcontractor, in the amounts determined by Company.

2. Subcontractor hereby represents that it has been provided with a copy of, and has read, the Agreement. Subcontractor agrees to be bound by all the terms thereof, including, but not limited to, keeping confidential all materials and information received from Manufacturer; returning to Company or its designee any designs or patterns, silk screens, embroidery tapes and pocket dyes[m110] (whether developed by the Subcontractor rein; delivering all Products, to Manufacturer, whether first, second adhering to Company's Quality Assurance procedures or standards and its fabric and garment testing requirements; not obtaining, retaining or selling any branded trim other than actually used for making the Products for Manufacturer; and maintaining all records required by the Agreement.

3. Subcontractor shall not copy the designs or patterns or participate in manufacturing or selling the Products for delivery to anyone other than Company or Manufacturer. Subcontractor is not permitted to sell overruns of the Products. Subcontractor will provide the same information and documentation to Manufacturer and to Company that Company requires from Manufacturer. Subcontractor will be subject to inspection and monitoring by Manufacturer and by Company, or by its representatives, to ensure that it is in compliance with all applicable federal, state and local laws including, but not limited to, minimum wage, overtime, child labor and other labor laws, country of origin requirements and in compliance with Hudson's Bay Company and Lord & Taylor Code of Conduct (hereinafter the "Code"). Subcontractor represents that it has been provided with a copy of the Code, attached hereto as Addendum A, that it has read the Code and that it agrees to abide by and comply with the Code.

4. Subcontractor shall not subcontract any work to any third party without prior written authorization from Company regardless of whether Manufacturer consents to same.

5. Subcontractor certifies that any Products (including components thereof) it manufactures, causes to be manufactured or performs work upon under the Agreement will be manufactured in compliance with: (i) all applicable requirements of Sections 6, 7, and 12 of the Fair Labor Standards Act of 1938, as amended, and all regulations and orders of the United States Department of Labor under Section 14 thereof, and the "hot goods" or "hot cargo" provisions of the act involving restrictions on the use of underage employees; (ii) applicable federal, state and local laws pertaining to child labor, minimum wage and overtime compensation; (iii) the wage, overtime compensations, benefits, hour, hiring and employment, workplace conditions and safety, environmental, collective bargaining, freedom of association laws of the country of manufacture and without the use of child (persons under the age of 15 or younger than the age for completing compulsory education, if that age is higher than 15), prison, indentured, exploited bonded, forced or slave labor if the Products (including their components) are manufactured outside the United States, the Code wherever manufactured and (iv) Subcontractor further certifies that upon importation (if applicable) any Products Subcontractor ships or causes to be shipped are in compliance with all laws applicable to the designation of country of origin and are shipped under a legally issued and valid export license or visa.

6. This Agreement shall terminate on the earlier of (a) one (1) year from the date of execution hereof, and (b) the termination date set forth in the Agreement[m112]. Upon expiration of this Subcontractor Manufacturing Agreement, Manufacturer and subcontractor agree that no work may be performed by subcontractor in connection with the manufacture of the Products without Manufacturer seeking and obtaining express prior written approval from Company and until after Company has received a new and properly executed Subcontractor Manufacturing Agreement signed and dated by both Manufacturer and Subcontractor.

IN WITNESS WHEREOF, the parties have caused this Subcontractor Manufacturing Agreement to be executed by their duly authorized officers as of _____, _____, 2011.
(day) (month)

MANUFACTURER'S NAME TYPED

SUBCONTRACTOR'S NAME TYPED

By: _____
_____ [Authorized Signature] _____

By: _____
_____ [Authorized Signature] _____

Date: _____

Date: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Address: _____

Address: _____

Telephone: _____

Telephone: _____

Fax: _____

Fax: _____