

CRITERIA FOR ABILITYONE DISTRIBUTORS
EFFECTIVE OCTOBER 1, 2006

1. All firms seeking authorization to distribute AbilityOne products must submit a proposal to the Committee. Submission of a proposal does not guarantee a firm will be authorized by the Committee.
 - Distributors/Dealers* seeking authorization to distribute AbilityOne office products must have a GSA Federal Supply Schedule or other Federal contract requiring AbilityOne products or overlapping the AbilityOne product offering.
 - Initially, the distributor will provide its estimated sales to Federal customers of products that are “essentially the same” (ETS) as AbilityOne items to the Committee. This data will be used as a benchmark to establish an AbilityOne products sales goal. The distributor shall provide the Committee a listing of current Federal Government contracts in its proposal to become an AbilityOne distributor and agrees to notify the Committee of all future awards for Federal contracts and/or Blanket Purchase Agreements.
 - Distributor agrees not to notify customers they have AbilityOne items until a letter of authorization is received from the Committee.
 - Use of the AbilityOne, NIB and/or NISH names or logos is not permitted until authorization is granted. SKILCRAFT® is a registered trademark of National Industries for the Blind. All use of the brand and logo whether in print or electronic format, must be approved by National Industries for the Blind, the sole owner of this trademark.
2. AbilityOne distributors requesting full product line authorization will be required to offer all or the vast majority of the AbilityOne products available for their industry/offering. For several industries (i.e., office products) the AbilityOne Program has already identified the list of AbilityOne items to be carried by distributors. These lists are reviewed quarterly for additions and deletions. When there is minimal overlap between the AbilityOne product line and the distributor’s product offering to its Federal customers, a company may submit a proposal for a limited authorization to carry a portion of the AbilityOne product line. The AbilityOne product offering for a limited authorization will be negotiated with the Committee/NIB/NISH. The Committee will make the final decision on the distributor’s AbilityOne product offering and/or if a distributor must offer a full product line upon review of the scope/overlap of their commercial offering.
3. The distributor must abide by the AbilityOne exclusivity principle, i.e., not to sell any commercial products to Federal customers if those products are identical to, similar to or “essentially the same” (ETS) as AbilityOne products. The distributor must agree to accept Committee definitions and guidance on what is ETS and must be able to explain and demonstrate how its ordering system will automatically block commercial ETS items and substitute the appropriate AbilityOne products. An automated blocking system is strongly preferred at the outset, or must be fully operational within 6 months from authorization. **The Committee will perform a test of the blocking system prior to authorization and may perform follow-up tests periodically thereafter.** If an automated blocking system is not feasible, an equally effective alternative is to be proposed to, and approved by the Committee. The distributor must also agree that they will not substitute a commercial

product if an AbilityOne product is ordered by a Federal customer. If an AbilityOne product is not available from one of the wholesalers, or directly from the producing nonprofit agency (if direct orders are allowed), the distributor must notify the Committee. The Committee will respond to ensure the customer's needs are met in a timely manner. Distributors must periodically (i.e., annually or in conjunction with print catalogs) provide catalog files electronically (i.e., spreadsheet or database) to support ETS reviews. Electronic files should contain the following information, when available:

- Catalog Publisher SKU
- Description
- Long Description
- Unit of Issue
- Current Catalog Page Number
- 12-digit UPC Code
- Product Category
- Manufacturer SKU
- Manufacturer Name
- Manufacturer Code
- United Stationers SKU/Order No.
- S.P. Richards SKU/Product No.
- Lagasse SKU

4. Because the Committee is responsible for determining that fair market prices are paid by Government customers for AbilityOne items, the Distributor must agree to charge prices that are acceptable to the Committee. The distributor will provide to the AbilityOne Program, upon request, their mark-ups by product/category for review. If the distributor does not have a Government contract that addresses pricing of AbilityOne products, they must provide specific data on how pricing will be established, including the maximum retail price. In all cases, the distributor shall agree to share its pricing with the AbilityOne Program.
5. The distributor must publish in a catalog the availability of the AbilityOne product line as identified by the Committee. Publications and treatment of AbilityOne products shall be comparable in quality to the tools/treatment for commercial items.

Print catalogs: Unless required by contract, the AbilityOne Program would encourage, but not require, an integrated, Government-unique print catalog. A commercial print catalog with an AbilityOne insert would be acceptable. In all cases, the distributor must have appropriate blocking of ETS items (see criterion #3).

If the distributor produces a smaller Government-unique catalog, all ETS items must be removed. The distributor is strongly encouraged to fully integrate the AbilityOne products with the commercial products.

All print catalogs shall be provided to NIB, NISH, and the Committee for their review and approval prior to being published. If you use a standard wholesaler catalog, there is no

need for catalog submission. Please indicate the wholesaler's catalog you use. Distributor shall allow the AbilityOne program at least two weeks to review catalog proofs.

Electronic catalogs: The AbilityOne Program requires that electronic (on-line and/or CD) catalogs fully integrate AbilityOne products into all search features as well as other pages where applicable. A separate button for Federal users/AbilityOne products is encouraged. Removal of all ETS items is required. If the electronic catalog is part of a distributor's commercial electronic catalog, the firm must still block the sale of ETS products to federal users.

Distributor-run Stores at Federal Government Facilities: The AbilityOne Program requires that distributors eliminate all ETS items from a store location and offer the AbilityOne item in its place.

In order to ensure that the distribution relationship provides mutual value, a minimum sales threshold must be achieved by each AbilityOne authorized distributor. In the first full year of authorization, AbilityOne distributors are expected to meet or exceed a minimum of \$25,000 in AbilityOne product sales. To enable the AbilityOne Program to track progress in this regard, the distributor must provide sales reports for total AbilityOne sales on a quarterly basis (quarters ending March 31, June 30, October 30 and December 31), within 30 days of the end of each calendar quarter. Periodically upon request, the distributor shall also provide product sales reports with units sold, sales (in US dollars) and unit of measure by National Stock Number in electronic format. The latter information enables the AbilityOne Program to evaluate the success of its products in the commercial distribution channel. Further, the distributor shall grant the AbilityOne Program permission to obtain sales data for AbilityOne products from approved wholesalers on an as needed basis.

6. Office product distributors must obtain AbilityOne products through an approved wholesaler unless they are authorized to buy direct. A distributor must generate \$500,000 or more, in AbilityOne product sales to be considered for authorization to buy direct. Distributors interested in buying direct must submit a proposal to the Committee outlining how they plan to incorporate direct purchases into their business (see enclosed Terms and Conditions). Authorized distributors must deliver AbilityOne products to Federal customers in a timeframe comparable to that of commercial products handled by the distributor. The distributor will advise the Committee/NIB/NISH if out-of-stock situations at the wholesaler level disrupt the timely distribution of AbilityOne products. The distributor shall not substitute a commercial product unless the Committee has provided written authorization. Exceptions to the \$500,000 sales threshold to purchase direct will be made on a case-by-case basis. Typical exceptions include large quantity purchases that can't be filled by the approved wholesalers. All requests for exceptions should be presented to NIB and NISH commercial distribution staff accordingly. The AbilityOne Program Terms & Conditions attached to this document will apply to all purchases. The distributor will advise the Committee how demand for items out-of-stock (killed orders) will be captured.
7. If the distributor is authorized to order AbilityOne products direct from one or more producing agencies, the distributor must agree to the AbilityOne Program's Terms & Conditions

for ordering, shipping, invoicing, and payment that are detailed on the enclosed sheet. Audited financial data and/or appropriate credit references will be required to ensure the distributor is capable of making payments for AbilityOne products delivered. Also, the distributor agrees to purchase the products from the producing location identified by the AbilityOne Program and to follow ordering procedures as outlined by the AbilityOne Program.

- Prices for all AbilityOne products shall be furnished to those distributors that are authorized to purchase direct by the Committee for Purchase From People Who Are Blind or Severely Disabled. **See attached Terms & Conditions regarding FOB Origin or Destination terms.** Most prices are adjusted annually, with any changes taking effect on the first of the calendar year. However, some products are subject to Economic Price Adjustment clauses in their Government contracts or for other reasons may change on a quarterly basis. Thus, the Committee issues price updates on a quarterly basis approximately 45 days prior to the effective date.

8. Some AbilityOne nonprofit agencies are bound by product licenses that allow their products to be sold only to the Federal Government, and others may have limited capacity to supply non-Federal sources. Authorization by the Committee is dependent upon the distributor signing a letter acknowledging that they will refrain from selling these products to commercial customers, among other requirements. A list of the items affected by these provisions will be provided with the letter. If non-restricted products are sold to commercial customers, those products must not be sold at prices that are less than the prices being charged Federal customers. As a courtesy, the AbilityOne Program would like a distributor to inform us if the AbilityOne products are being sold to commercial customers.

9. Distributors will be evaluated on an annual basis on the following areas of performance:

- Compliance with established criteria for AbilityOne distributors,
- Ability to provide AbilityOne products on time and not substitute commercial products,
- Payment history (if direct orders are allowed),
- Federal Government catalog and treatment of the AbilityOne Program products,
- Input from Federal customers,
- Effective blocking system and compliance with the AbilityOne Program's "no substitution" policy, and
- How well the Distributor worked with the AbilityOne staff to market and expand sales of AbilityOne products.

10. Unless otherwise specified in the Committee's letter of authorization, distributors will be authorized for a period of one year (conditional status), renewable annually thereafter for up to four more years before additional information may be required. As necessary, the Committee will review and revise these criteria. Current AbilityOne distributors will be given 30 days' notice before any changes go into effect and will have the option to terminate their relationship as a Distributor. The Committee may elect not to renew the authorization of a distributors for failure to observe the AbilityOne Program's Criteria if, after giving the distributor 30 days notice to address any deficiencies, the noncompliance continues. The Committee reserves the right to limit the number of AbilityOne distributors in a geographic area and/or for a specific type of product or products.

* Distributors or dealers in this case would mean commercial firms that purchase products from the manufacturer or a wholesaler and resell those items to end-users.

**AbilityOne Program
Terms and Conditions for Ordering, Shipping,
Invoicing and Payment**

1. Shipment of product shall be FOB Origin or Destination as designated by the Committee. As of January 1, 2004, the Committee will allow distributors with direct ordering authority to select either all FOB Origin or all FOB Destination priced deliveries. Distributors are not able to choose a mixture of origin and destination prices at this time. If ordering FOB Destination, distributors may contact the allocated agencies and request volume freight discounts. Volume freight discounts are at the discretion of the nonprofit agency.
2. Shipments shall be made a maximum of 15 days after receipt of an order by the producing location.
3. All shipments shall be made to a distributor's list of authorized distribution centers. A "non-authorized location" is a location that is not a regular distribution center of the distributor or a location to which the distributor and the AbilityOne Program recognize as an agreed upon "ship to" location.
4. Payment shall be net 30 days after receipt of an invoice. Distributors may be assessed penalties in accordance with the Prompt Payment Act for any payments that are not made within the 30 days.
5. Return Policy (copy attached).
6. If allowed to purchase direct from producing locations, distributor agrees to comply with minimum order quantities established by the AbilityOne Program and to order from the producing location(s) designated by the AbilityOne Program.
7. Drop Shipment Policy: It is the AbilityOne Program policy not to accept orders for drop shipments, unless approved by NIB or NISH or the nonprofit agency in advance of the order being received. The nonprofit agency may assess a reasonable surcharge in addition to the established FOB Origin or Destination pricing to cover additional shipping and/or handling fees associated with drop shipments. Drop shipments are defined as any orders that require shipment to a "non-authorized" location, expedited delivery, or shipments directly to the customer. For any drop shipments, the distributor agrees to pay for all product, and freight for FOB Origin shipments, if no claims are filed within 5 days of signing for a shipment.
8. In accordance with the Government's policy to move to electronic commerce, distributors are encouraged to order electronically. The preferred format for orders is currently via Electronic Data Interchange (EDI). All agencies are capable of receiving orders using this format. The AbilityOne Program may impose a surcharge for distributors that cannot comply with the requirement to order electronically.
9. Credit Hold Policy: In accordance with normal commercial credit and collection procedures, the nonprofit agencies will be allowed to initiate credit hold proceedings against specific distributor ship-to points and/or entire distributors. The nonprofit agency must notify NIB or

NISH and the Committee at least 15 days prior to any requested credit hold. NIB or NISH will attempt to resolve the situation. This is only applicable where direct orders have been authorized.