

Premier's Food Product & Distribution Program

Overview

The cornerstone of the Premier Group Purchasing Program is the **contracted manufacturer agreements (CMAs)**. Through these agreements, Premier offers the most comprehensive foodservice contract portfolio in the industry! By maximizing your utilization of Premier CMAs, the **State of Nebraska** will realize substantial cost savings on your food spend year after year. CMAs are negotiated to maximize the financial benefits for all Premier members and are managed with careful oversight and price monitoring throughout the term of the agreement providing the **State of Nebraska price protection, predictability, and auditing**. Today, 80% of all dollars purchased by Premier Members in food and supplies are covered by a CMA. On average, 55% of stocked items in the US Foods distribution centers are contracted manufacturer agreements.

Terms

Contracted manufacturer agreements (CMAs) are negotiated with manufacturers for a **three-year (36 month) period**. Beginning and end dates for all manufacturer contracts are based on the terms and conditions for the awarded contract cycle and are communicated through Premier's Supply Chain Advisor. All contracts are required to go through the Premier sourcing process which are evaluated and awarded by customer-segmented member sourcing committee(s).

Premier and US Foods Distribution Agreement

The Foodservice Distribution contract between Premier and US Foods is negotiated for a 5-year (60 month) period through June 30, 2025. USF and Premier Members each acknowledge and agree that in the event that the Premier Agreement is further amended, supplemented, restated or otherwise modified, the terms and conditions of this letter agreement shall be modified accordingly to reflect such change.

Renewal

The parties agree that renewal of the contract shall be extended subject to mutual agreement of the **State of Nebraska** and US Foods.

Pricing Strategy

Premier utilizes **multiple price strategies** based on the volatility and composition of each product category. All items either have a fixed price or a market-price.

- Items with **fixed pricing** are locked in for a stated period of time (annually, semi-annually, quarterly, or monthly), and pricing is established by either a deviation or a formula.
- **Market-priced** products are generally in highly volatile categories where it would be disadvantageous for Premier to attempt to lock in a price. These vary week by week based on geographic market; however, most products include an allowance that is taken off the distributor's price at the time of invoicing to the **State of Nebraska**.

All pricing discounts (deviations and allowances) are reflected in the invoice cost (purchase price) at the time of delivery. Additional program incentives and manufacturer rebates are not included in invoice cost and paid to the purchasing member quarterly, semi-annually or as a one-time payment. Deviations, allowance, incentives and rebates are outlined below.

Price Changes

All requests for price increases are subject to review and approval by Premier and must be accompanied by supporting data that outlines the changes in market conditions to warrant such an increase; no price increase request will be automatically approved. Premier also monitors current market conditions in order to ensure the ongoing competitiveness of the portfolio; this can include working with suppliers to decrease pricing during a contract term.

All product pricing is available in real time, 24/7 on the Premier US Foods ecommerce platform, FoodServiceDirectOrder.com (FSDO). Weekly price changes are available each Sunday morning.

Sourcing

Premier is responsible for the sourcing and contracting of national, regional, and local agreements. Premier does not purchase or buy any products or services.

Enrollment

In order to participate in the Premier Foodservice Program, each customer number must be assigned a Premier membership ID (EIN) based on the determined onboarding schedule. This will require additional enrollment paperwork and proper signatures. Please allow ample time for membership processing. For customers interested in the Direct Parent Incentive, additional communication may be required to ensure proper setup for Direct Parent and child sites.

The Cost-Plus Fixed Mark-Up Program

US Foods handles the day-to-day stocking and delivery of your food products. One hundred percent of all products purchased through US Foods are priced based on the national distribution agreement Premier has negotiated on behalf of its membership.

The Premier Foodservice program with US Foods offers a **Cost-Plus Fixed Mark-Up Program**. Premier utilizes multiple pricing strategies (fixed, market) to provide both immediate and long-term price protection and predictability. We do not guarantee fixed pricing or cost. Pricing is based on the volatility and composition of each product category positively influencing product cost.

“Cost” is defined as distributor’s invoice from the supplier², plus inbound freight, minus customer allowances or any Premier contracted manufacturer agreement (CMA) deviation or off-invoice allowance. “Markup” is defined as the difference between “cost” as defined above and the selling price to the **State of Nebraska** . **The mark-up shall remain firm for the duration of the agreement regardless of distributor invoice or contracted price.**

The **State of Nebraska** qualifies for Premier’s Program **B** with a primary award to US Foods. All facilities will qualify to use the same markup schedule as presented by category. **Any additional locations coming on to the contract must qualify on their own merit outside of the parent tier.**

Pricing and incentives follow the existing US Foods State of Nebraska Contract.

Expanded Cost Description

Pricing to the **State of Nebraska** will be based on the cost of products ordered from contractor plus a contractor mark-up. Cost will be as defined below unless otherwise defined by Premier Committed Manufacturer Agreement(s). Thereafter, prices may be changed to reflect the actual delivered cost of items to the Contractor. Net delivered cost to the member shall always be based on the true and current cost of the product delivered at the time of delivery. Price changes shall be reflected through the online order entry system on demand. The price list furnished shall contain only items that are purchased by the member. The handling fee shall remain the same throughout the contract period. Under no circumstances will the member's prices be increased should quantities fall short or exceed usage estimates provided. Quantities stated are estimates only and are not commitments to buy.

(i) **CONTRACTOR Branded and Exclusive Products.** Cost (for products which are not covered by a Committed Manufacturer Agreement) may be based on various nationally or regionally published price lists, plus inbound freight (where applicable). USF Branded and Exclusive Products includes products marketed under trademarks owned by USF, including but not limited to products for which USF has exclusive marketing and/or sales authority, property rights in a proprietary products formula, or has supplied raw materials or packaging for the finished products. Nationally and regionally published price lists are distributed to various market segments and customers and are subject to competitive market pressures. Nationally and regionally published price lists do not include documents only used internally and shall not include any Premier-only pricing. In the alternative, the Cost for USF Branded and Exclusive Products may be calculated as set forth in subparagraph (ii) below (All Other Products). The alternative used to calculate Cost may change from time to time. At Purchasing Partner's request, USF shall disclose which method is being used at that time.

(ii) **All Other Products (except produce).** Cost is defined as the manufacturer's (supplier, packer or any other vendor) delivered cost or f.o.b. unit price plus standard freight (as hereinafter defined to USF's distribution center, less off-invoice discounts or off-invoice allowances (such off-invoice discounts or off-invoice allowances to mean manufacturer generated discounts or allowances on particular items for set periods of time and which are specifically reflected on the invoice). Cost shall not be adjusted for, and Participating Members shall not be entitled to, promotional allowances, cash discounts, prompt pay discounts, growth programs or any other supplier incentives received by USF. Cost may include a fee for USF's procurement activities which provide procurement leverage, order consolidation and administration, product marketing and quality assurance ("National Procurement Fees"). National Procurement Fees may include: (x) label expense (including amortized cost of label redesign and obsolescence); (y) applicable storage, handling and finance charges which shall generally reflect USF's actual expense for these costs; and (z) an allocation of the approximate direct salary and benefits and other expenses of USF's employees, agents and equipment that manage and support the procurement activity related to National Procurement Fees. Such national procurement activities are intended to provide value to Participating Members. National Procurement Fees are intended to cover USF's costs of creating said value. USF may, at its option, select the invoice cost to be used for determining Cost from among all invoices for product currently available for sale, or from confirmed purchase orders for product to be received by the third day of the pricing cycle. Forward purchases (including forward warehouse purchases and customer consigned products) may include applicable storage and finance charges and/or other service fees which shall generally reflect USF's costs associated with such products (collectively, "Fees") or shall be based on local market replacement cost, as

may be determined by USF from time to time; provided, however, that in no event shall the Cost be higher than local market replacement cost solely by reason of the addition of the Fees. Local market replacement cost means the cost the individual USF distribution center would have been required to pay for the purchase of its normal quantity requirements of such products.

(iii) Produce: Cost for produce shall be based on landed cost-plus freight.

Discounts/ Allowances /Incentives. Notwithstanding the foregoing, only promotional allowances exclusively negotiated by Premier or on the behalf of Premier will be passed through to Participating Public Agencies. Contractor shall be entitled to cash discounts and other supplier incentives.

Freight to Contractor. Unless inbound freight is included in vendor's delivered pricing, freight charges will be added to the cost of product. Freight will be based on market conditions and will not exceed the freight rate normally payable by the Contractor distribution center for inbound shipments of regular quantity requirements of such products. Freight charges may include common or contract carrier charges by the product vendor or a carrier, and/or charges billed by Contractor for its freight management service. It is expressly acknowledged and agreed that Contractor may utilize its internal logistics or branch generated back-haul program provided freight cost charged to the facility does not exceed standard freight. Contractor retains sole responsibility for all inbound logistics activity. In all cases, auditable documentation for freight rates will be maintained by each of Contractor's distribution centers."

Fuel Hardship

As US Foods largest customer, we do not charge fuel surcharges to Premier members as typically defined by the industry. US Foods is only eligible for a fuel hardship relief fee beginning at \$5.10 per diesel gallon.

The chart below presents the circumstances when fuel hardship relief fees are applied under the Premier Foodservice Program. US Foods is currently implementing the fuel hardship relief fee according to the schedule below.

Retail Diesel per Gallon Price	Premier Extraordinary Fuel Hardship Relief Fee per Case
\$5.00-\$5.09	\$0.00
\$5.10-\$5.19	\$0.01
\$5.20-\$5.29	\$0.02
\$5.30-\$5.39	\$0.03
\$5.40-\$5.49	\$0.04
\$5.50-\$5.59	\$0.05
\$5.60-\$5.69	\$0.06
\$5.70 and above	An additional \$0.01 per each \$0.10 increase in Retail Diesel Price per Gallon

The "weekly retail on highway diesel" national average fuel price is monitored using the EIA weekly report, which can be accessed at: <http://www.eia.gov/petroleum/gasdiesel/>.



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Further, the hardship relief fee is not assessed on each invoice. The fee is incorporated into the quarterly US Foods Statement of Earned Incentives (i.e., the "Bank Statement") to be potentially offset by operational incentives if earned from prompt pay and/or the average delivery size incentives.

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