

ORDINANCE 2019-06-20-0564

AUTHORIZING AN AGREEMENT WITH CARDINAL HEALTH 110, LLC AND CARDINAL HEALTH 112, LLC TO SERVE AS THE 340B PRESCRIPTION DRUG PRICING PROGRAM DRUG WHOLESALE DISTRIBUTOR FOR THE SAN ANTONIO METROPOLITAN HEALTH DISTRICT TO PURCHASE DRUGS IN AN AMOUNT UP TO \$151,401.00 FOR A TERM COMMENCING JULY 1, 2019 AND TERMINATING ON JUNE 30, 2020 WITH OPTIONS TO RENEW FOR TWO, ONE-YEAR TERMS.

* * * * *

WHEREAS, the 340B Drug Pricing Program (340B Program) is a federal program that enables participating drug manufacturers to provide discounted prices on covered outpatient drugs to eligible health care organizations known as covered entities; and

WHEREAS the commonly stated intent of the 340B Program is to permit covered entities to stretch scarce resources as far as possible to more eligible patients and provide more comprehensive services; and

WHEREAS covered entities participating in the 340B Program may contract with pharmacies to dispense drugs purchased through the program on their behalf from contracted prescription drug wholesalers/distributors; and

WHEREAS, with this agreement, Cardinal Health 110, LLC and Cardinal Health 112, LLC (Cardinal Health) will serve as a contract prescription drug wholesaler/distributor for the San Antonio Metropolitan Health District (Metro Health) a covered entity; and

WHEREAS, Metro Health released an RFP for the wholesaler/distributor of the 340B program prescription drugs on March 25, 2019; and

WHEREAS, the Evaluation Committee met and recommended award to Cardinal Health; and

WHEREAS, by consensus vote, the committee is recommending to enter into an agreement with Cardinal Health to serve as a contract wholesaler/distributor for Metro Health to provide certain low cost prescription drugs for patients seen at Metro Health clinics; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Manager or designee or the Director of the San Antonio Metropolitan Health District or designee is authorized to negotiate and execute an agreement with Cardinal Health 110, LLC and Cardinal Health 112, LLC (Cardinal Health) to serve as the 340B prescription drug wholesale distributor for the San Antonio Metropolitan Health District to

purchase drugs in an amount up to \$151,401.00 for a term commencing July 1, 2019 and terminating on June 30, 2020 with options to renew the agreement, without further Council action, for an additional two, one-year terms. The agreement in substantially final form is attached hereto and incorporated herein for all purposes as **Attachment I**. The execution authority granted by this Ordinance shall expire 60 days after the effective date.

SECTION 2. Funding in the amount of \$151,401.00 for this Ordinance is available in Fund 29836000, internal order 8360000000098 and General Ledger 5201040 as part of the Fiscal Year 2019 budget.

SECTION 3. Payment not to exceed the budgeted amount is authorized to Cardinal Health to serve as the 340B prescription drug wholesale distributor for the San Antonio Metropolitan Health District.


SECTION 4. The financial allocations in this Ordinance are subject to approval by the Director of Finance, City of San Antonio. The Director of Finance may, subject to concurrence by the City Manager or the City Manager's designee, correct allocations to specific SAP Fund Numbers, SAP Project Definitions, SAP WBS Elements, SAP Internal Orders, SAP Fund Centers, SAP Cost Centers, SAP Functional Areas, SAP Funds Reservation Document Numbers, and SAP GL Accounts as necessary to carry out the purpose of this Ordinance.

SECTION 5. This Ordinance is effective immediately upon the receipt of eight affirmative votes; otherwise, it is effective ten days after passage.


PASSED AND APPROVED this 20th day of June, 2019.

ATTEST:


Leticia M. Vacek, City Clerk


M A Y O R
Ron Nirenberg

APPROVED AS TO FORM:


Andrew Segovia, City Attorney

Agenda Item:	38B (in consent vote: 4, 5, 6, 7, 8, 9, 10A, 10B, 11A, 11B, 12, 13, 14, 16, 17, 18, 19A, 19B, 20, 21, 22, 23, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34, 35, 38A, 38B, 39A, 39B, 39C, 39D, 41, Z-2)						
Date:	06/20/2019						
Time:	10:19:52 AM						
Vote Type:	Motion to Approve						
Description:	Ordinance approving an agreement with Cardinal Health 110, LLC and Cardinal Health 112, LLC to serve as the 340B prescription drug wholesale distributor for the San Antonio Metropolitan Health District for an amount up to \$151,401.00 and for a term commencing July 1, 2019 and terminating on June 30, 2020 with options to renew for two, one-year terms.						
Result:	Passed						
Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Ron Nirenberg	Mayor		x				
Roberto C. Treviño	District 1		x				
Jada Andrews-Sullivan	District 2		x				
Rebecca Viagran	District 3		x				x
Dr. Adriana Rocha Garcia	District 4		x				
Shirley Gonzales	District 5		x				
Melissa Cabello Havrda	District 6		x				
Ana E. Sandoval	District 7		x				
Manny Pelaez	District 8		x				
John Courage	District 9		x			x	
Clayton H. Perry	District 10		x				

MH
06/20/2019
Item No. 38B

ATTACHMENT I

**Apexus 340B Prime Vendor Program
Participant Participation Agreement Form**

THIS LETTER OF PARTICIPATION (“LOP”) is entered into between **San Antonio Metropolitan Health District** (“Participant”), and Cardinal Health 110, LLC and Cardinal Health 112, LLC (collectively, “Distributor”), and is made effective the first day on which both parties have executed this LOP (“Effective Date”).

WHEREAS, Apexus and Distributor entered into an agreement with an effective date of September 1, 2016, as may be amended from time to time (the “Base Agreement”), under which Distributor agreed to distribute Products (as defined in the Base Agreement) to participants in the 340B Prime Vendor Program, subject to the terms and conditions of the Base Agreement;

WHEREAS, Participant (a) is eligible to participate in the Base Agreement, and (b) owns, manages and/or operates one or more “Facilities” (as defined in Paragraph 1 below); and

WHEREAS, Participant desires to purchase Products from Distributor.

NOW THEREFORE, in consideration of the promises and mutual obligations and undertakings set forth below, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. BASE AGREEMENT; DEFINITION OF FACILITY:

- a. The terms and conditions of the Base Agreement shall apply to purchases consummated pursuant to this LOP, except as otherwise specifically set forth herein. In the event of a conflict between the terms and conditions of this LOP and the Base Agreement, the terms most favorable to the Participant shall control. This LOP may contain terms and conditions that are additional to the terms set forth in the Base Agreement. To the extent such terms do not conflict with the provisions of the Base Agreement, such additional terms and conditions set forth in this LOP shall govern solely with respect to the purchases of Products pursuant to this LOP. Capitalized terms in this LOP shall have the meanings given to them in the Base Agreement, unless otherwise defined herein.
- b. “Facility” means any pharmacy or hospital which Participant owns, manages and/or operates. A list of all Participant Facilities as of the Effective Date, including their respective “ship to” addresses and number of deliveries per week is attached to this LOP as Attachment 2 and is incorporated herein by reference. Additional Facilities may be added to Attachment 2 upon the mutual written agreement of Distributor and Participant and such agreement by Distributor shall not be unreasonably withheld. When Participant requests that Distributor set up any 340B contract pharmacy(ies) pursuant to the 340B Drug Purchase Program established by the Veteran’s Health Care Act of 1992, Section 340B of Public Law 102-585, Participant will pay Distributor a one-time set-up fee of \$150.00 per 340B contract pharmacy. Such entity shall hereinafter also be recognized as a “Facility”. Participant must provide monthly volume projections and delivery schedule (frequency and specific days) for each 340B contract pharmacy to be set up by Distributor. Deliveries to 340B contract pharmacies will be at a time of day determined solely by Distributor.

2. **TERM:** This LOP shall be effective beginning on the Effective Date and continue through August 31, 2020 (the “LOP Term”). The LOP Term will be automatically renewed for up to three (3) additional years if the Base Agreement Term is extended.

3. **LOP TERMINATION:** Either party may terminate this LOP at any time upon providing not less than ninety (90) days prior written notice thereof to the other party.
4. **PRIME VENDOR:** Throughout the LOP Term, in order to receive the Participant Markup offered to Participant under this LOP (set forth in Attachment 1 hereto), Participant must order not less than ninety percent (90%) of all dollars spent on each category of the following Products (i.e. branded, generic and Drop Shipments) by using Distributor as its prime vendor for the purchase of such products normally purchased through wholesale pharmaceutical distributors. To the extent that Distributor is unable to supply such Products, those purchases shall be excluded from the ninety percent (90%) calculation. If Distributor believes that a Participant is not utilizing Distributor as the Prime Vendor (as defined above), then (i) Distributor shall provide evidence supporting such belief to Participant and Apexus and (ii) Distributor and Participant shall promptly meet in good faith to discuss such concern. For purposes of clarification (i) the ninety percent purchase threshold set forth in this Section is a condition for receiving the applicable Participant Markup and (ii) Participant's failure to meet the ninety percent (90%) threshold as set forth herein shall not constitute a breach of any Participant obligation but shall instead only result in Participant not receiving the Participant Markup. Notwithstanding the foregoing, in the event Participant does not utilize Distributor as its primary distributor, but has a 340B contract pharmacy(ies) where the contract pharmacy(ies) utilize(s) Distributor as its primary distributor, Distributor shall service such Participant under the terms and conditions of this LOP, as if such Participant utilized Distributor as its primary distributor.
5. **MEDICARE/MEDICAID DISCLOSURE:** If and to the extent any discount, credit, rebate or other purchase incentive is paid or applied by Distributor with respect to the Products or Services purchased hereunder, such discount, credit, rebate or other purchase incentive may constitute a "discount or other reduction in price," as such terms are defined under the Medicare/Medicaid Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b)(3)(A) and the "safe harbor" regulations regarding discounts or other reductions in price set forth in 42 C.F.R. § 1001.952(h)), on the Products purchased by Participant or any Facility hereunder, Participant and/or its Facility(ies) may have an obligation to accurately report, under any state or federal program which provides cost or charge based reimbursement for the Products or Services covered by this LOP, or as otherwise requested or required by any governmental agency, the net cost actually paid by Participant and/or its Facility(ies).
6. **LICENSES; OWN USE:** Participant represents, warrants and certifies that it and each of its Facilities has all required governmental licenses, permits and approvals required to purchase, use and/or store the Products purchased from Distributor and that all of Participant's or each Facility's purchases hereunder are for its "own use", if applicable, in the Facilities, as such term is defined in judicial or legislative interpretation, and not for resale to anyone other than the end user.
7. **CONFIDENTIALITY:** "Confidential Information" means the information in this LOP (including pricing and Markup). Participant may not disclose any Confidential Information (except as required by law) to any third party (excluding Apexus). Notwithstanding the foregoing, Distributor shall not prevent a Participant from disclosing its invoice data.
8. **ENTIRE AGREEMENT:** This LOP, together with the Base Agreement, constitutes the entire agreement between the parties with regard to the subject matter hereof and supersedes all prior agreements, understandings and representations or promises exchanged by the parties, whether verbal or written. This LOP may not be modified except through a writing that is signed by Participant and Distributor.
9. **LIMITATION OF LIABILITY:** EXCEPT FOR DISTRIBUTOR'S INDEMNIFICATION OBLIGATIONS AND ANY OTHER DAMAGES SPECIFICALLY SET FORTH IN THE BASE AGREEMENT OR HEREIN, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY INCIDENTAL, CONSEQUENTIAL OR SPECIAL CLAIMS, LIABILITIES OR DAMAGES.

10. COMPLIANCE: Participant represents and warrants that it:

- a. will abide by all applicable laws, rules, regulations, ordinances and guidance of the federal Drug Enforcement Administration (“DEA”), the states into which it dispenses or sells controlled substances and/or listed chemicals, and the states in which it is licensed, including, without limitation, all of the foregoing concerning the purchase, sale, dispensation, and distribution of controlled substances; and
- b. will not dispense or sell controlled substances and/or listed chemicals if it suspects that a prescription or drug order is not issued for a legitimate medical purpose or the actions conducted on the part of the prescriber or Participant and its employees are not performed in the normal course of professional practice.

In addition, Participant warrants that it understands that Distributor is required by DEA regulations to report to the DEA suspicious orders of controlled substances and listed chemicals, and Participant agrees to act in good faith in assisting Distributor to fulfill its obligations. To that end, Participant agrees that it will be alert for red flags of suspicious orders and listed chemicals, including, but not limited to:

- a. Numerous controlled substance prescriptions written for the same drugs, in the same quantities for the same time period by the same or different prescribers or group of prescribers for the same patient;
- b. Numerous controlled substance prescriptions written for the same person or several persons by the same prescriber or group of prescribers; and
- c. Numerous prescriptions written for the same patient by prescribers located in different states than the patient.

Participant agrees that if any of the above-noted or other red flags exist, it is prudent to contact the prescriber to validate the legitimacy of the prescription and/or to discontinue filling prescriptions from the prescriber, group of prescribers, or customer in question. In addition, the pharmacist should contact the State Board of Pharmacy or local DEA Diversion Field Office (see Appendix N, DEA Pharmacist’s Manual, 2010 Edition).

If Participant wishes to provide Distributor with access to its prescription claims transaction and/or dispensing data for Distributor’s Suspicious Order Monitoring Program, Participant must sign a:

- a. HIPAA Business Associate Agreement with Distributor in a form acceptable to Distributor; and
- b. Data Transmission Request Form for each third party claims switch utilized by the pharmacy(ies) that authorizes the switch to transmit each pharmacy’s prescription claims data to Distributor, and/or a Data Transmission Request Form that authorizes Distributor to receive dispensing data from the pharmacy’s(ies’) dispensing system software vendor(s).

Participant acknowledges that Distributor may provide a copy of this document to the DEA or any other state or federal regulatory agency or licensing board.

Participant hereby acknowledges and agrees that, notwithstanding any other provision herein, or any provision in any other agreement between Distributor and the Participant, Distributor may, in its sole discretion, immediately suspend, terminate or limit the distribution of controlled substances, listed chemicals, and other products monitored by Distributor to the Participant at any time if Distributor believes that the continued distribution of such products to the Participant may pose an unreasonable risk of the diversion of such products

based on the totality of the circumstances and such other considerations as may be deemed relevant by Distributor.

- 11. FUEL SURCHARGE:** Distributor reserves the right to assess Participant a fuel surcharge, on a per delivery stop basis, for each delivery made to Participant by Distributor (the “Fuel Surcharge”). Each Fuel Surcharge shall be set forth on the invoice from Distributor, calculated as set forth below:

Regular Unleaded Fuel Price is:		Fuel
at Least	But Less Than	Surcharge Amount
\$6.51	and greater	\$2.25 per stop
\$6.01	\$6.50	\$2.00 per stop
\$5.51	\$6.00	\$1.50 per stop
\$5.01	\$5.50	\$1.25 per stop
\$4.01	\$5.00	\$1.00 per stop
\$3.26	\$4.00	\$0.50 per stop
\$0.00	\$3.25	No Fuel Surcharge

The fuel prices in the table above represent the national average retail cost per gallon for regular grade gasoline as published by the U.S. Department of Energy (the “Average Price Per Gallon”), available at: http://www.eia.doe.gov/oil_gas/petroleum/data_publications/wrgp/mogas_home_page.html. By the 15th day of each calendar month, Distributor shall determine the Average Price Per Gallon for the immediately preceding month, and any required adjustments to the Fuel Surcharge will be applicable as of the first (1st) day of the immediately following calendar month (for example, by the 15th of November, Distributor shall determine the Average Price Per Gallon for October, and any required adjustments to the Fuel Surcharge will be applicable as of December 1st).

- 12. SMALL ORDER DELIVERY CHARGE:** We reserve the right to assess a fee of Fifty Dollars (\$50) for any order of less than One Thousand Five Hundred Dollars (\$1,500). For each delivery, Distributor shall aggregate all account orders by a single Facility to determine gross order value. If this value is less than One Thousand Five Hundred Dollars (\$1,500), a small order fee of Fifty Dollars (\$50) will be added to the invoice as a separate line charge. If the gross order value is greater than One Thousand Five Hundred Dollars (\$1,500), no small order fee will apply. If Distributor otherwise services the particular Facility, then the fee in this section will not be applied to that Facility.
- 13. PAYMENT TERMS:** Any past due invoice will be assessed interest at a 1.5% monthly (18% annual) rate or the highest amount allowed by law, if lower. If amounts due are not paid by Participant to Distributor pursuant to the maximum payment term set forth on Markup Matrix, Distributor reserves the right to add two point five basis points (0.025%) per each weighted average payment day beyond such maximum payment term to the applicable Participant Markup (for example, if Participant pays in 70 days (10 days beyond the maximum payment term of 60 Day Pay (60 DSO)), Participant’s applicable Participant Markup going forward will be adjusted by +0.25%). Until Products are paid for in full, Participant grants Distributor and Distributor retains a security interest in the Products. Distributor will have a security interest in any deposit(s) to secure payment to Distributor (or its affiliates) of all of Participant’s obligations, existing and future. If Participant defaults on any payment, Distributor may exercise a right of setoff against any deposit Distributor holds or any amounts Distributor (or its affiliates) owe Participant. Participant shall provide to Distributor any credit information we request not less than thirty (30) days before Participant’s initial purchases hereunder and, after that, as Distributor may reasonably request from time to time. Distributor retains the right to adjust Participant’s payment terms, place Participant on C.O.D. status, and/or refuse orders based on Participant’s payment performance, changes in Participant’s financial condition or other credit considerations Distributor

deems relevant. All payments for Products and Services provided by Distributor must be made to the applicable servicing division specified in the invoice (or as Distributor otherwise specify) by electronic funds transfer or other method acceptable to Distributor so as to provide Distributor with good funds by the due date. Deductions for Product returns or shipping discrepancies (quantity and price) may not be taken until Distributor issues a valid credit memo to Participant. Participant may from time to time (but not more often than once per calendar quarter) request that its payment terms be changed as to future Product purchases (among those choices specified in the Markup Matrix), subject to Distributor's advance written consent. In such event, Participant acknowledges and agrees that its Participant Markup will be adjusted pursuant to the Markup Matrix.

IN WITNESS WHEREOF, Participant and Distributor, intending to be bound by the terms of this LOP and having the authority to bind their respective corporations, hereby execute this LOP by placing their signatures below:

San Antonio Metropolitan Health District

**CARDINAL HEALTH 110, LLC
CARDINAL HEALTH 112, LLC**

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

ATTACHMENT 1

LOP PARTICIPANT MARKUP

Participants with monthly net purchases of \$300,000 or greater (such Participants will be eligible to receive up to five (5) deliveries per week):

Monthly Net Purchases	-45 DSO	-15 DSO	0 DSO	1 DSO	8 DSO	9.5 DSO	15 DSO	30 DSO	45 DSO	60 DSO
\$300,000 - \$399,999.99	-2.15%	-1.75%	-1.55%	-1.45%	-1.35%	-1.26%	-1.07%	-0.69%	+0.11%	+0.98%
\$400,000 - \$499,999.99	-2.45%	-2.05%	-1.85%	-1.75%	-1.65%	-1.56%	-1.37%	-0.99%	-0.19%	+0.68%
\$500,000 - \$599,999.99	-2.55%	-2.15%	-1.95%	-1.85%	-1.75%	-1.66%	-1.47%	-1.09%	-0.29%	+0.58%
\$600,000 - \$749,999.99	-2.65%	-2.25%	-2.05%	-1.95%	-1.85%	-1.76%	-1.57%	-1.19%	-0.39%	+0.48%
\$750,000 - \$999,999.99	-2.95%	-2.55%	-2.35%	-2.25%	-2.15%	-2.06%	-1.87%	-1.49%	-0.61%	+0.18%
\$1,000,000 - \$1,249,999.99	-3.05%	-2.65%	-2.45%	-2.35%	-2.25%	-2.16%	-1.97%	-1.59%	-0.79%	+0.08%
\$1,250,000 - \$1,499,999.99	-3.10%	-2.70%	-2.50%	-2.40%	-2.30%	-2.21%	-2.02%	-1.63%	-0.84%	+0.03%
\$1,500,000 - \$1,749,999.99	-3.15%	-2.75%	-2.55%	-2.45%	-2.35%	-2.26%	-2.07%	-1.69%	-0.89%	-0.02%
\$1,750,000 - \$1,999,999.99	-3.20%	-2.80%	-2.60%	-2.50%	-2.40%	-2.31%	-2.12%	-1.74%	-0.94%	-0.07%
\$2,000,000 - \$2,999,999.99	-3.35%	-2.95%	-2.75%	-2.65%	-2.55%	-2.46%	-2.27%	-1.89%	-1.09%	-0.22%
\$3,000,000 - Above	Locally Negotiated									

Participants with monthly net purchases less than \$300,000:

One (1) Delivery Per Week:

Monthly Net Purchases	-45 DSO	-15 DSO	0 DSO	1 DSO	8 DSO	9.5 DSO	15 DSO	30 DSO	45 DSO	60 DSO
\$0 - \$299,999	-2.54%	-2.13%	-1.92%	-1.90%	-1.73%	-1.69%	-1.56%	-1.20%	-0.90%	-0.60%

Five (5) Deliveries Per Week:

Monthly Net Purchases	-45 DSO	-15 DSO	0 DSO	1 DSO	8 DSO	9.5 DSO	15 DSO	30 DSO	45 DSO	60 DSO
\$0 - \$24,999	Not Available									
\$25,000 - \$299,999	-1.51%	-1.10%	-0.90%	-0.88%	-0.71%	-0.69%	-0.56%	-0.20%	+0.16%	+0.52%

If Distributor otherwise already services a Facility on Attachment 2 at the rate of five (5) deliveries per week, then the Facility will be under the Five (5) Deliveries Per Week.

The following items will not be subject to the applicable Participant Markup: WAC Products that are: (i) Distributor private label products, (ii) medical/surgical supplies, (iii) home health care/durable medical equipment, (iv) contrast media, (v) gift Products, (vi) office supplies, (vii) cosmetics, (viii) OTC, and (ix) health and beauty aids. Except as otherwise described in this Agreement, Participant may, but will have no obligation under this Agreement to, purchase any specified volume or percentage of its requirements of these items.

Notwithstanding anything to the contrary that may be contained in this Agreement, the applicable Participant Markup for all IV Solutions (250 ml and greater) will equal 4.00%.

ATTACHMENT 2
PARTICIPANT FACILITIES

Insert Participant's Requested Initial Payment DSO Term*: ____ DSO as described on Attachment 2-A.

*Note – that final DSO will be determined and communicated by Distributor to Participant.

Bill to Address, City, State, ZIP Code	Ship to Facility Address, City, State, ZIP Code	340B ID	Number of Scheduled Deliveries per Week (1 or 5)*
SAN ANTONIO METROPOLITAN HEALTH DISTRICT City of San Antonio - Finance Department PO Box 839966 San Antonio, TX 78283	SAN ANTONIO METROPOLITAN HEALTH DISTRICT 512 East Highland Street SAN ANTONIO, TX 78210	STD782851	

***No Facility will be eligible to receive more than five (5) deliveries per week.**

ATTACHMENT 2-A

PARTICIPANT PAYMENT TERMS

-45 DSO. To access this option, Participant will be required, at least five (5) business days prior to the effective date of Participant's Participation Agreement, to make an advance payment to Distributor in an amount equal to sixty (60) days' purchases. The advance payment will be held by Distributor as a deposit (the "**Deposit**"), and Distributor will have a security interest in the Deposit to secure payment of all of Participant's obligations, now existing, and arising in the future, under this Agreement. Payment of all invoices will be due in accordance with the 15 DSO payment term. The Deposit will be evaluated and adjusted each calendar quarter based on the average preceding three (3) months' purchases and Participant's payment performance based on Weighted Average Payment Days ("**WAPD**"). If, based on such evaluation, the Deposit is under-funded, Distributor will send a statement to Participant requesting payment of the difference. Participant will be required, within ten (10) days of the date of such statement, pay the difference to Distributor and the difference will be added to the Deposit upon receipt by Distributor. If, based on such evaluation, the Deposit is over-funded, Distributor will send a statement to Participant with payment of the difference in the form of check or credit memo as mutually determined by the Distributor and Participant.

-15 DSO. To access this option, Participant will be required, at least five (5) business days prior to the effective date of Participant's Participation Agreement, to make an advance payment to Distributor in an amount equal to thirty (30) days' purchases. The advance payment will be held by Distributor as a deposit (the "**Deposit**"), and Distributor will have a security interest in the Deposit to secure payment of all of Participant's obligations, now existing, and arising in the future, under this Agreement. Payment of all invoices will be due in accordance with the 15 DSO payment term. The Deposit will be evaluated and adjusted each calendar quarter based on the average preceding three (3) months' purchases and Participant's payment performance based on Weighted Average Payment Days ("**WAPD**"). If, based on such evaluation, the Deposit is under-funded, Distributor will send a statement to Participant requesting payment of the difference. Participant will be required, within ten (10) days of the date of such statement, pay the difference to Distributor and the difference will be added to the Deposit upon receipt by Distributor. If, based on such evaluation, the Deposit is over-funded, Distributor will send a statement to Participant with payment of the difference in the form of check or credit memo as mutually determined by the Distributor and Participant.

0 DSO. To access this option, Participant will be required, at least five (5) business days prior to the effective date of Participant's Participation Agreement, to make an advance payment to Distributor in an amount equal to fifteen (15) days' purchases. The advance payment will be held by Distributor as a deposit (the "**Deposit**"), and Distributor will have a security interest in the Deposit to secure payment of all of Participant's obligations, now existing, and arising in the future, under this Agreement. Payment of all invoices will be due in accordance with the 15 DSO payment term. The Deposit will be evaluated and adjusted each calendar quarter based on the average preceding three (3) months' purchases and Participant's payment performance based on Weighted Average Payment Days ("**WAPD**"). If, based on such evaluation, the Deposit is under-funded, Distributor will send a statement to Participant requesting payment of the difference. Participant will be required, within ten (10) days of the date of such statement, pay the difference to Distributor and the difference will be added to the Deposit upon receipt by Distributor. If, based on such evaluation, the Deposit is over-funded, Distributor will send a statement to Participant with payment of the difference in the form of check or credit memo as mutually determined by the Distributor and Participant.

1.0 DSO. Payment of each invoice is due in full on the day immediately following the date of the invoice.

8.0 DSO. Payment of each invoice is due in full within eight (8) days of the invoice date.

9.5 DSO. Payment is due in full by the Friday of each week of the amount due for all Products delivered and services provided during the immediately preceding week (i.e., Monday through Friday).

15.0 DSO. Payment of each invoice is due in full within fifteen (15) days of the invoice date.

30.0 DSO. Payment of each invoice is due in full within thirty (30) days of the invoice date.

32.5 DSO. Payment is due in full by the 10th of each month of the amount due for all Products delivered and services provided from the 1st to the 15th of the immediately preceding calendar month, and by the 25th of each month of the amount due for all Products delivered and services provided from the 16th to the last day of the immediately preceding calendar month.

45.0 DSO. Payment of each invoice is due in full within forty-five (45) days of the invoice date.

60.0 DSO. Payment of each invoice is due in full within sixty (60) days of the invoice date.

At the end of each calendar quarter, Distributor will evaluate Participant's payment history based on actual weighted average payment days and Participant's average monthly net purchase volume during such calendar quarter. Prospective adjustments to the then-applicable Participant Markup will be made as appropriate. No retroactive adjustment will be applied to Participant's purchases, absent bad faith on Participant's part.

PRIME VENDOR AGREEMENT

This Prime Vendor Agreement (the “Agreement”) is made by and between Cardinal Health 110, LLC and Cardinal Health 112, LLC (“Cardinal Health”) and City of San Antonio on behalf of itself and its subsidiaries, affiliates, related parties and any other entities or facilities it owns, manages or controls, whether now or hereafter existing, jointly and severally (“Buyer”), who hereby agree as follows:

1. Term and Termination. The initial term of the Agreement shall commence on July 1, 2019 (the “Effective Date”) and shall continue in effect thereafter through June 30, 2020. Thereafter, the Agreement will automatically renew for two (2) additional one (1)-year renewal terms unless either party provides written notice of non-renewal to the other party at least ninety (90) days prior to the end of the initial term or the then-current renewal term, as applicable. Either party may affect an early termination of the Agreement upon the occurrence of a material breach by the other party. The non-breaching party must give written notice to the breaching party of the nature and occurrence of such breach. If the breach is not cured by the expiration of sixty (60) days from the date of such notice, or if the breaching party has not made reasonable efforts to effect the cure if the breach cannot reasonably be cured within such sixty (60) day period, then the non-breaching party may provide written notice to the breaching party that the Agreement will be terminated in thirty (30) days following the expiration of such sixty (60) day period. Notwithstanding the foregoing, in the event of a payment default by Buyer, or based upon other credit considerations deemed relevant by Cardinal Health, Cardinal Health may immediately terminate the Agreement upon the provision of notice to Buyer.

2. Purchase Requirement & Usage. Buyer will designate Cardinal Health as its primary wholesale pharmaceutical supplier to all the pharmacies (retail pharmacy locations and non-retail pharmacy locations) hospitals, nursing homes, clinics and/or other facilities to the extent applicable, owned, managed or operated by Buyer during the term of the Agreement (collectively, the “Pharmacies” and individually, a “Pharmacy”), and Buyer will purchase from Cardinal Health at least ninety five percent (95%) of the prescription pharmaceuticals (branded and generic) (the “Rx Products”) and at least ninety five percent (95%) of certain other inventory carried by Cardinal Health (the “Non-Rx Products”) (Rx Products and Non-Rx Products are collectively referred to as the “Merchandise”) required for each Pharmacy (the “Primary Requirements”) if they are carried by Cardinal Health. Notwithstanding any other provision in the Agreement, Cardinal Health reserves the absolute right to determine what Merchandise it will carry. Buyer must provide accurate six (6) months’ usage figures (including NDC numbers) for all items for each Pharmacy in compatible electronic (disk) format at least forty-five (45) days prior to participation under the Agreement by that Pharmacy. In addition, Buyer will provide usage information related to new and/or replacement items on an ongoing basis, as necessary. As used in the Agreement, the term “Net Purchases” will mean all purchases made and paid for by Buyer and/or the Pharmacies under the terms of the Agreement, net of all returns, credits, late charges, or other similar items, on an annual, quarterly, or monthly basis, as applicable. A current list of the Pharmacies is attached hereto as **Exhibit A**. Additional pharmacies may be added to Exhibit A from time to time subject to the prior approval of Cardinal Health.

3. Purchase Price. Except as otherwise set forth in the Agreement, Buyer will pay a purchase price for all Merchandise purchased under the Agreement in an amount equal to Cardinal Health’s Cost for such Merchandise, plus the percentage specified in the pricing matrix attached hereto as **Exhibit B** (the “Pricing Matrix”), plus all applicable taxes or other assessments on such purchases. For purposes of the Agreement, the term “Cardinal Health’s Cost” will mean the manufacturer’s published wholesale acquisition cost for the Merchandise at the time the Buyer’s order is submitted to Cardinal Health. Notwithstanding any other provision in the Agreement, the purchase price for certain Merchandise (sometimes referred to herein as “Specially Priced Merchandise”), including, but not limited to, the following items, will not be based upon Cardinal Health’s Cost-plus pricing described above: multisource pharmaceuticals, Cardinal Health Source Program (“Source Program”) Merchandise, private label products, medical/surgical supplies, home health care/durable medical equipment, contrast media, drop-shipped Merchandise, Merchandise acquired from vendors not offering customary cash discount or other terms, branded and/or biosimilar Rx Products introduced to the market after the Effective Date of this Agreement, and other slow moving, specially-handled Merchandise, and non-pharmaceutical Merchandise.

4. Payment Terms. Buyer’s initial payment terms shall be as follows: 22.5 DSO - the Buyer will cause Cardinal to receive payment in full for the amount due for all Merchandise delivered and services provided from the 1st through the 15th to be due 15 days later. All Merchandise delivered and services provided from the 16th through each month-end will be due 15 days later. All payments due from Buyer to Cardinal Health for Merchandise delivered and services rendered by Cardinal Health under the Agreement will be made to the applicable servicing division specified in Cardinal Health’s invoice (or as otherwise specified by Cardinal Health) by electronic funds transfer or other method acceptable to Cardinal Health so as to provide Cardinal Health with good funds by the due date. Deductions for Merchandise returns or shipping discrepancies (quantity and price) may not be taken until a valid credit memo is issued by Cardinal Health. Cardinal Health retains the right to adjust Buyer’s payment terms, place Buyer on C.O.D. status, and/or

refuse orders from Buyer if Cardinal Health has not received payment when due for Merchandise delivered or services provided to Buyer, or based upon credit considerations deemed relevant by Cardinal Health. Until Merchandise is paid for in full, Cardinal Health retains, and the Buyer hereby grants Cardinal Health, a security interest in the Merchandise. Without limiting Cardinal Health's rights under law or in equity, Cardinal Health and its affiliates, parent or related entities, collectively or individually, may exercise a right of set-off against any and all amounts due Buyer. For purposes of this Section, Cardinal Health, its affiliates, parent or related entities shall be deemed to be a single creditor. Buyer may from time to time (but not more often than once per calendar quarter) request that its payment terms be changed as to future Merchandise purchases under the Agreement, subject to Cardinal Health's prior written consent. In such event, Buyer acknowledges and agrees that Buyer's purchase price may be adjusted by Cardinal Health to reflect Buyer's new payment terms and credit considerations deemed relevant to Cardinal Health.

5. Service Charge. Buyer will pay a service charge calculated at the rate of 1.5% per month (or the maximum rate allowed by law, if such rate is less than 1.5% per month) on any amount not paid by Buyer to Cardinal Health when due under the terms of the Agreement from the first day of delinquency until such amount is paid in full, along with reasonable attorney fees associated with any such delinquency. Failure or delay by Cardinal Health to bill Buyer for any such service charge will not waive Cardinal Health's right to receive the same.

6. Ordering. To qualify for the pricing set forth in the Pricing Matrix, Buyer must electronically transmit all orders (excluding Schedule II and emergency orders) to Cardinal Health via Order Express, or such other electronic order entry system as Cardinal Health may approve from time to time. Cardinal Health will provide Buyer with access to such electronic ordering system at no additional charge; provided, however, Buyer must supply all hardware required to access such electronic ordering system, all required Internet access and any required interfaces or other network enhancements, all at Buyer's expense. Buyer may not use such electronic ordering system for any purpose unrelated to the Agreement. If electronic order entry is temporarily interrupted for reasons beyond the control of Buyer or Cardinal Health, Buyer may place orders manually and both parties will use reasonable efforts to fix the problem. All orders for Schedule II controlled substances must be submitted to Cardinal Health via Cardinal Health's electronic Controlled Substance Ordering System ("CSOS"). If Schedule II controlled substance orders are not submitted via CSOS, Cardinal Health reserves the right to increase Buyer's purchase price by 0.05%. Schedule II orders will be delivered with Buyer's next scheduled delivery following Cardinal Health's receipt of the CSOS order. Regardless of any other terms of the Agreement, no Schedule II orders will be delivered other than in compliance with DEA regulations.

7. Delivery. All Merchandise shall be shipped FOB destination in accordance with the general delivery schedules as are established from time to time by the applicable Cardinal Health servicing division (exclusive of holidays, etc.). Excluding Pharmacies located outside of the contiguous United States or other Pharmacies mutually agreed upon by the parties from time to time, each Pharmacy shall be eligible to receive one (1) delivery per day, five (5) days per week Monday-Friday at no additional charge; provided, however, all deliveries will be subject to the Fuel Surcharge set forth below. Buyer shall incur a separate per delivery charge for additional scheduled deliveries or deliveries to multiple locations or departments within a Pharmacy (i.e., materials management, dietary department, etc.) and non-standard or custom deliveries. Cardinal Health will assess a fee of Twenty-Five Dollars (\$25) for any delivery of less than One Hundred Dollars (\$100). Notwithstanding any other provision in the Agreement, Buyer shall pay a fuel surcharge, on a per stop basis, for each delivery made to Buyer or any Pharmacy by Cardinal Health under the Agreement (the "**Fuel Surcharge**"). Each Fuel Surcharge shall be set forth on the invoice from Cardinal Health, and the amount of a given Fuel Surcharge shall be calculated in accordance with the following table:

Regular Unleaded Fuel Price is:		Additional Surcharge
at Least	But Less Than	Amount
\$4.76	\$5.00	\$3.25 per stop
\$4.51	\$4.75	\$3.00 per stop
\$4.26	\$4.50	\$2.75 per stop
\$4.01	\$4.25	\$2.50 per stop

FSC# 4082392

The fuel prices set forth in the table above represent the national average retail cost per gallon for regular grade gasoline as published by the U.S. Department of Energy (the "**Average Price Per Gallon**"). The current index may be obtained on the Energy Information Administration's website at the following address:

http://www.eia.doe.gov/oil_gas/petroleum/data_publications/wrgp/mogas_home_page.html

In the event that the Average Price Per Gallon exceeds Five Dollars (\$5.00), the Fuel Surcharge shall increase in Twenty Five Cent (\$0.25) increments for each Twenty Five Cent (\$0.25) increase in the Average Price Per Gallon.

By the last day of each calendar month, Cardinal Health shall determine the Average Price Per Gallon for that month. If, pursuant to the table set forth above, the Average Price Per Gallon requires an adjustment to the Fuel Surcharge, such adjustment shall be applicable as of the first (1st) day of the immediately following calendar month.

8. Manufacturer Contracts. Cardinal Health will recognize and administer mutually agreed upon manufacturer pricing contracts between Buyer and a manufacturer (collectively, "**Manufacturer Contracts**"): (i) subject to their continued validity in accordance with applicable laws, (ii) provided such manufacturer is a vendor in good standing with Cardinal Health, and (iii) subject to such credit considerations concerning the applicable manufacturers as Cardinal Health may consider appropriate. However, if manufacturers' chargebacks for contract items submitted by Cardinal Health are disallowed, uncollectable, or unreconcilable, then the applicable charge will be billed back to Buyer. Buyer will notify Cardinal Health of all applicable pricing information included in the Manufacturer Contracts, including renewals, replacements or terminations of Manufacturer Contracts, not less than forty-five (45) days prior to the effective date of such Manufacturer Contract, renewal, replacement or termination.

9. Returns. In general, Cardinal Health will accept Merchandise for return from Buyer in accordance with the Cardinal Health Returned Goods Policy as is in effect from time to time. A copy of the current Returned Goods Policy is attached hereto as Exhibit C. The then-current Freight Claims Policy of the Cardinal Health business unit(s) servicing Buyer under this Agreement will govern all freight claims.

10. Custom Inventory. If Cardinal Health stocks inventory under this Agreement at Buyer's request that Cardinal Health would not otherwise stock ("Custom Inventory"), Buyer agrees that, before substituting other inventory in place of such Custom Inventory, and/or upon termination or expiration of this Agreement for any reason, Buyer will purchase the remaining Custom Inventory under the terms of this Agreement until it is depleted.

11. "Own Use". All purchases under the Agreement will be for Buyer's "own use" as that term is defined in judicial or legislative interpretation and not for resale to anyone other than the end user. Cardinal Health may terminate the Agreement immediately in the event it reasonably determines that Buyer is in breach of this paragraph.

12. Licensure. Buyer represents, warrants and certifies to Cardinal Health that it and each of Buyer's pharmacy locations has all required governmental licenses, permits and approvals required to purchase, use and/or store the Rx Products purchased from Cardinal Health under the Agreement. Prior to purchasing Rx Products from Cardinal Health hereunder, and at all times during the term of the Agreement, Buyer will provide Cardinal Health with copies of all such licenses and any renewals, revocations, changes or notices related thereto.

13. Taxes. The Buyer will pay when due any sales, use, excise, gross receipts, or value-added taxes, or other federal, state, or local taxes or other surcharges or assessments (other than any tax based on the net income of Cardinal Health or imposed upon inventory held by Cardinal Health in its warehouses) that Cardinal Health is at any time obligated to pay or collect based on, or in any way levied on, the sale of Merchandise under this Agreement, or the Merchandise or any services related thereto. In addition, the Buyer will be obligated to pay all interest or penalties assessed by reason of its failure to comply with its obligations under this Agreement. If Cardinal Health pays any amounts which the Buyer is obligated to pay under this Section, then the Buyer will promptly reimburse Cardinal Health in an amount equal to the amount so paid by Cardinal Health.

14. Compliance Agreement. Buyer agrees to execute and abide by the terms set forth in the Compliance Representations and Warranties for Customers attached hereto as Exhibit D. As set forth in the Compliance Representations and Warranties for Customers, Buyer hereby acknowledges and agrees that, notwithstanding any other provision in the Agreement, or any provision in any other agreement between Cardinal Health and the Buyer, Cardinal Health may, in its sole discretion, immediately suspend, terminate, or limit the distribution of controlled substances, listed chemicals, and other products monitored by Cardinal Health to the Buyer at any time if Cardinal Health believes that the continued distribution of such products to the Buyer may pose an unreasonable risk of the diversion of such products based on the totality of the circumstances and such other considerations as may be deemed relevant by Cardinal Health.

15. Warranty Disclaimer and Limitation of Liability. THERE ARE NO EXPRESSED OR IMPLIED WARRANTIES, INCLUDING ANY WARRANTY OF MERCHANTABILITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE.

CARDINAL HEALTH SHALL NOT BE LIABLE FOR INCIDENTAL, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES.

16. Force Majeure. Cardinal Health's obligations under the Agreement will be excused if and to the extent that any delay or failure to perform such obligations is due to fire or other casualty, product or material shortages, strikes or labor disputes, transportation delays, change in business conditions (other than insignificant changes), manufacturer out-of-stock or delivery disruptions, acts of God, seasonal supply disruptions, or other causes beyond the reasonable control of Cardinal Health. During the period of any such delay or failure, Buyer may purchase the Primary Requirements for the affected Pharmacies from others, but will recommence purchasing from Cardinal Health upon cessation of such delay or failure.

17. Discounts and Rebates. If and to the extent any discount, credit, rebate or other purchase incentive is paid or applied by Cardinal Health with respect to the Merchandise purchased under the Agreement, such discount, credit, rebate or other purchase incentive shall constitute a "discount or other reduction in price," as such terms are defined under the Medicare/Medicaid Anti-Kickback Statute (42 U.S.C. § 1320a 7b(b)(3)(A) and the "safe harbor" regulations regarding discounts or other reductions in price set forth in 42 C.F.R. § 1001.952(h)) on the applicable Merchandise purchased by Buyer under the terms of the Agreement. Buyer may have an obligation to accurately report, under any state or federal program which provides cost or charge based reimbursement for the products or services covered by the Agreement, or as otherwise requested or required by any governmental agency, the net cost actually paid by Buyer.

18. Miscellaneous. Each party shall comply with all laws, rules and regulations applicable to its obligations under the Agreement. The Agreement and its exhibits constitute the entire agreement and understanding of the parties with respect to the subject matter hereof, and the Agreement may not be amended except by a writing signed by each party. No party may assign its rights or obligations under the Agreement without the written consent of the others; provided, however, that Cardinal Health may delegate its rights and obligations to any entity that is controlled by or under common control with Cardinal Health, Inc. Neither party may disclose the terms and conditions of the Agreement to a third party without prior written consent of the other party, except as required by law or as necessary to perform its obligations under the Agreement. The Agreement does not create any employment, agency, franchise, joint venture, partnership or other similar legal relationship between Buyer and Cardinal Health. Buyer represents and warrants that Buyer has the authority to contractually bind the Pharmacies to the terms and conditions of this Agreement.

City of San Antonio
on behalf of itself and its subsidiaries, affiliates, related
parties and any other entities or facilities it owns, manages or
controls, whether now or hereafter existing, jointly and
severally

111 Soledad, Suite 1000
San Antonio, TX. 78205

By:

Name:

Title:

Date:

Cardinal Health 110, LLC
Cardinal Health 112, LLC

7000 Cardinal Place
Dublin, OH 43017
Fax: (614) 757-6000

By:

Name:

Title:

Date:

EXHIBIT A

Pharmacies

Name	Street Address	City	State	Zip
City of San Antonio Metropolitan Health District	111 Soledad, Suite 1000	San Antonio	TX	78205

EXHIBIT B**Pricing Matrix****Base Purchase Price**

Subject to Buyer's compliance with Section 4 of the Agreement, Buyer will be entitled to purchase Rx Products from Cardinal Health (that are not Specially Priced Merchandise, Specialty Carve Out Pharmaceuticals, or subject to a Manufacturer Contract) for Buyer's Pharmacies at a purchase price equal to Cardinal Health's Cost minus 2.50%.

Exceptions to the Foregoing Pricing

Notwithstanding the foregoing, as set forth in Section 3 of the Agreement, the purchase price for Specially Priced Merchandise shall not be determined in accordance with the Cardinal Health's Cost-plus pricing methodology set forth in the "Base Purchase Price" section above; rather, Specially Priced Merchandise will be net-billed in accordance with the terms and conditions established by Cardinal Health for such Merchandise from time to time (including applicable mark-up).

Purchase Price for Merchandise Subject to a Manufacturer Contract

Notwithstanding any other provision in the Agreement, for Buyer's non-retail Pharmacies, the Buyer's purchase price for Merchandise subject to a Manufacturer Contract will equal the Buyer's contract price for the applicable Merchandise as set forth in the Manufacturer Contract, less the discount percentage determined in accordance with the "Base Purchase Price" Section above.

Purchase Price for Specialty Carve Out Pharmaceuticals

Notwithstanding any other provision in the Agreement or this Pricing Matrix, the purchase price for "Specialty Carve Out Pharmaceuticals" shall equal Cardinal Health's Cost minus 2.50%. As used herein, "**Specialty Carve Out Pharmaceuticals**" will mean those branded and biosimilar Rx Products included under the AHFS Drug Classifications for the following treatment categories: Cancer/Oncology, Rheumatoid Arthritis/Rheumatology, Multiple Sclerosis, Hepatitis C, HIV, Crohn's Disease (excluding such branded or biosimilar Rx Products that are drop-shipped, purchased from or through SPD, or Specially Priced Merchandise). Any newly launched branded or biosimilar Rx Products that is added to one of the AHFS Drug Classifications listed above, or any branded or biosimilar Rx Products that is reclassified under one of the AHFS Drug Classifications listed above, shall be a Specialty Carve Out Pharmaceutical. In addition, if there are new AHFS Drug Classifications, then Cardinal Health reserves the right to add new AHFS Drug Classifications to those that are included in the Specialty Carve Out Pharmaceutical categories listed above and will notify the Buyer of any such addition.

Purchase Price for SPD Merchandise

In addition, notwithstanding anything to the contrary that may be contained in the Agreement, Buyer's Merchandise purchased through Cardinal Health's Specialty Distribution channel "SPD", including any limited distribution products purchased through SPD, will be priced at the amount invoiced by SPD to Cardinal Health (plus any applicable freight and handling charge) with no additional mark-up.

GPO Administrative Fees

The pricing specified in the Pricing Matrix above does not reflect any administrative fees for membership in any group purchasing organization (a "GPO"). If Buyer or any Pharmacy affiliates with a GPO, the appropriate administrative fee will be added to the purchase price paid by the Buyer or Pharmacy.

EXHIBIT C**Cardinal Health Pharmaceutical Distribution
Returned Goods Policy**

Products in "merchantable condition" (as defined below) and originally purchased from Cardinal Health may generally be returned to the customer's servicing Cardinal Health distribution center in accordance with, and subject to, the terms and conditions of this policy.

Return Made Within:**Normal Credit Amount:**

1 - 180 Days from Invoice Date

100% of original invoice amount paid by customer. This policy covers all order shortages, filling errors and damage if reported within two (2) business days and such products are returned within ten (10) business days of the date of the applicable invoice.

180 Days – 12 Months from Invoice Date

90% of original invoice amount paid by customer. Provided, however, if applicable mark-up is greater than 0%, credit will be based on customer's contract cost or Cardinal Health's then-current base cost, as applicable.

Returns made greater than 12 months from the invoice date will not be accepted. No credit will be issued, and the product will be returned to customer.

"***Merchantable condition***" will be determined by Cardinal Health based upon its ability to return the product to its inventory for resale in the normal course of its business, without special preparation, testing, handling, or expense and will **exclude** the following:

- A. Any product purchased from any supplier other than Cardinal Health.
- B. Any product which has been used or opened; is a partial dispensing unit or unit of sale; is without all original packaging, labeling, inserts, or operating manuals; or that is stickered, marked, damaged, defaced, or otherwise cannot readily be resold by Cardinal Health for any reason.
- C. Short-dated (less than seven (7) months expiration dating), outdated, or seasonal products and products purchased on a "special order" basis, including non-stock and drop-shipped products.
- D. Any product not intended for return to a wholesaler in accordance with the return policies of the applicable manufacturer.
- E. Any product listed by any state or federal regulatory agency as a high-risk pedigree item that is returned without a valid invoice number that cannot otherwise be verified by Cardinal Health.

Unmerchantable Products

Any product not eligible for return in accordance with this policy (i.e., the product is not in "merchantable condition" as set forth above) will require return directly to the manufacturer. If any such products are returned to Cardinal Health, they will be returned to customer and no credit will be issued. Stickered products will be handled as follows: Cardinal Health will remove the sticker, retain the product and credit the customer (as applicable pursuant to this policy). If the product is damaged during the removal of the sticker, no credit will be issued to customer and the product will be returned to customer.

Notwithstanding the foregoing, in any case where Cardinal Health accepts the return of such products and agrees to return such products to the applicable manufacturer on behalf of customer (provided the manufacturer allows the return of such products), any credit issued to customer will be determined by Cardinal Health.

Required Return Documentation

Prior to returning any product to Cardinal Health, customer must execute and deliver to **Cardinal Health a Cardinal Health Returned Goods Authorization Ongoing Assurance** verifying that all returned products have been kept under proper conditions for storage, handling, and shipping.

All requests for credit must be submitted via EOE, Cardinal.com, CardinalCHOICE®, or approved EDI interface.

A fully completed and signed **Merchandise Return Authorization Form** (the "MRA Form") must accompany all products to be returned. **Note:** An MRA Form cannot be fully completed without a valid invoice number. The request for an MRA Form will be rejected if a valid invoice number is not provided.

Third Party Return Processors

At the request of customer, Cardinal Health will work with third party return processors for returns of unmerchantable products. Such arrangement will be subject to mutually agreed upon terms and conditions, to include administrative fees payable to Cardinal Health.

Controlled Substances

Credit for the return of controlled substances requires a separate MRA Form and such returns must comply with all applicable laws, rules and regulations in addition to the terms and conditions of this policy.

Refrigerated, Chemotherapy and Hazardous Products

Refrigerated, chemotherapy and hazardous products must be returned in packaging that complies with applicable regulatory requirements. All such products that are not returned in packaging that complies with applicable regulatory requirements will be considered damaged and unsaleable. This product will be destroyed and no credit will be issued to customer.

Shorts and Damaged Products

Claims of order shortages (e.g., products invoiced but not received), filling errors and damage must be reported within two (2) business days from the applicable invoice date, or no credit will be issued. Returns of damaged products or products shipped in error must be received by the Cardinal Health servicing distribution center within ten (10) business days from the applicable invoice date, or no credit will be issued. Controlled substance shortage claims must be reported immediately per DEA requirements. In all instances, credit will not be issued until verification of the claim by Cardinal Health.

No deductions may be taken by customer until a valid credit memo is issued by Cardinal Health.

Shipping of Return Products

Products to be returned must be placed in a proper shipping container and signed for by the driver when picked up.

Signed MRA Forms shall be included in totes with the returned products. Only one (1) MRA Form shall be included in each tote.

- If the MRA Form is not signed, no credit will be issued, and the products will be returned to the customer.
- If the MRA Form is not inside the tote with the returned products, Cardinal Health will attempt to identify the customer that returned the products. The tote will then be returned to the customer with a request for a completed MRA Form(s).
- No credit will be issued for products returned but not listed on the accompanying MRA Form. Such products will be returned to the customer.

All MRA Forms will be reviewed by Cardinal Health for compliance with this policy. The acceptability and valuation of any return is at the sole discretion of Cardinal Health.

Products must be returned to the customer's servicing Cardinal Health distribution center within thirty (30) days from the date of customer's request for an MRA Form, or no credit will be issued.

In addition to the requirements set forth in this policy, Customer shall comply with all return procedures required by the Cardinal Health servicing distribution center.

Other Restrictions

Excessive returns may result in higher restocking fees as deemed necessary by Cardinal Health.

This policy is subject to change without notice by Cardinal Health. This policy is further subject to modification as may be deemed necessary or appropriate by Cardinal Health to comply with applicable federal and/or state regulations, FDA guidelines, state law, and other restrictions applicable to returned products.

Compliance Representations and Warranties for Customers

City of San Antonio (“**Customer**”) represents and warrants that it:

1. will abide by all applicable laws, rules, regulations, ordinances and guidance of the federal Drug Enforcement Administration (“DEA”), the states into which it dispenses or sells controlled substances and/or listed chemicals, and the states in which it is licensed, including, without limitation, all of the foregoing concerning the purchase, sale, dispensation, and distribution of controlled substances; and
2. will not dispense or sell controlled substances and/or listed chemicals if it suspects that a prescription or drug order is not issued for a legitimate medical purpose or the actions conducted on the part of the prescriber or Customer and its employees are not performed in the normal course of professional practice.

In addition, Customer warrants that it understands that Cardinal Health is required by DEA regulations to report to the DEA suspicious orders of controlled substances and listed chemicals, and Customer agrees to act in good faith in assisting Cardinal Health to fulfill its obligations. To that end, Customer agrees that it will be alert for red flags of suspicious orders and listed chemicals, including, but not limited to:

1. Numerous controlled substance prescriptions written for the same drugs, in the same quantities for the same time period by the same or different prescribers or group of prescribers for the same patient;
2. Numerous controlled substance prescriptions written for the same person or several persons by the same prescriber or group of prescribers; and
3. Numerous prescriptions written for the same patient by prescribers located in different states than the patient.

Customer agrees that if any of the above-noted or other red flags exist, it is prudent to contact the prescriber to validate the legitimacy of the prescription and/or to discontinue filling prescriptions from the prescriber, group of prescribers, or customer in question. In addition, the pharmacist should contact the State Board of Pharmacy or local DEA Diversion Field Office (see Appendix N, DEA Pharmacist’s Manual, 2010 Edition).

Customer acknowledges that Cardinal Health may provide a copy of this document to the DEA or any other state or federal regulatory agency or licensing board.

Customer hereby acknowledges and agrees that, notwithstanding any other provision herein, or any provision in any other agreement between Cardinal Health and the Customer, Cardinal Health may, in its sole discretion, immediately suspend, terminate or limit the distribution of controlled substances, listed chemicals, and other products monitored by Cardinal Health to the Customer at any time if Cardinal Health believes that the continued distribution of such products to the Customer may pose an unreasonable risk of the diversion of such products based on the totality of the circumstances and such other considerations as may be deemed relevant by Cardinal Health.

The Customer further acknowledges and agrees that it will not file any claims against Cardinal Health, or any related entity, including legal and equitable claims, regarding any decision by Cardinal Health to suspend, limit or terminate its distribution of controlled substances, listed chemicals, and other products monitored by Cardinal Health to the Customer.

Agreed to by a duly authorized officer, partner, or principal of Customer:

Signature: _____
Full Name _____
(print): _____
Title: _____
Date: _____