STATE OF MINNESOTA
DEPARTMENT OF ADMINISTRATION/MMCAP CONTRACT

This contract is between the State of Minnesota, acting through its Commissioner of Administration, on behalf of the Minnesota Multistate Contracting Alliance for Pharmacy ("MMCAP") and AmerisourceBergen Drug Corporation, 1300 Morris Drive, Chesterbrook, PA 19087 ("Vendor").

Under Minn. Stat. § 16C.03, the Commissioner of Administration on behalf of MMCAP is empowered to engage such assistance as deemed necessary.

MMCAP is a group purchasing organization which contracts for pharmaceuticals and certain health care products for its members' use. Participation in MMCAP is limited to facilities within member states that are specifically permitted by the member state's statutes to purchase goods from the member state's contracts. Participation is generally available to facilities run by state agencies, cities, townships, and counties.

The Vendor wishes to contract with MMCAP to provide pharmaceutical and related health care product distribution services.

Contract

1 Term of Contract

1.1 ***Effective date*:** December 1, 2003, or the date MMCAP obtains all required signatures under Minn. Stat. §16C.05, subd. 2, whichever is later. The contract may be extended up to an additional 36 months upon written mutual agreement of the parties.

1.2 ***Expiration date***: April 30, 2006, or as cancelled pursuant to clause 15.

1.3 ***Survival of Terms.*** The following clauses survive the expiration or cancellation of this contract: 5. Liability; 6. State Audits; 7. Government Data Practices and Intellectual Property; 8. Publicity and Endorsement; 9. Governing Law, Jurisdiction, and Venue; and 15. Data Disclosure.

2 Scope of Work

2. A. Customer Service

1. Vendor will have a customer service department available to perform inventory checks, answer product or general information requests, and assist with billing inquiries. This customer service department must be accessible via local or toll-free phone lines to all assigned MMCAP Facilities throughout the business day. The Vendor personnel serving MMCAP, especially customer service representatives, pharmaceutical buyers, and contact persons, must have appropriate experience and training to provide exceptional customer service.

Vendor has a comprehensive nationwide internal placement program to promote qualified individuals from within the corporation. Vendor will perform drug screening, a criminal background check, and check references for anyone being extended a job offer.

Vendor is regionally structured company with each distribution center autonomously operated, so each distribution center determines its own hours of operation. Typically, the customer service department is manned between the hours of 8 a.m. to 5 p.m. in each perspective time zone. To accommodate certain market areas, some customer service departments operate as early as 7 a.m. and as late as 8 p.m.

Vendor's distribution centers provide emergency delivery service 24 hours per day, 7 days per week, year round. Vendor guarantees same day response, generally within hours of initial contact, for critical medications in an emergency situation. A Vendor representative will be contacted to coordinate delivery of life saving pharmaceuticals. Product will be obtained from the closest facility and emergency delivery will be provided via Vendor's own drivers, a contracted same day delivery service, or air courier.

2. Vendor will assign a contact person for MMCAP Office staff relating to the MMCAP contract. This contact person must be at the corporate level within the company and have the responsibility, experience, knowledge, ability, and authority to respond to questions and solve problems presented by the MMCAP Office regarding any aspect of the contract. This contact person must be empowered to serve as an advocate for MMCAP.

The liaison between MMCAP and Vendor will be Kyle Mead, VP, National Accounts. All customer service agents are empowered to deliver high levels of customer satisfaction. Each individual has the authority to issue credit requests, handle special CII orders, arrange emergency deliveries, issue historical purchase requests for price adjustments, pull pharmaceutical and other products from alternate distribution centers, and other daily activities.

In the event a customer service agent encounters a situation that requires approval from a superior, that person will contact the distribution center General Manager (GM). The GM has the authority to respond and initiate the programs and services contained and committed in the MMCAP RFP.

3. Vendor will have a contact person assigned for MMCAP Facilities relating to the MMCAP contract at each distribution center. This contact person must be at a management/administrative level within the distribution center and have the responsibility, experience, knowledge, ability, and authority to respond to questions and solve operational problems presented by MMCAP Facilities. This contact person must be empowered to serve as an advocate for MMCAP. This contact person must be housed at the distribution center and be readily accessible to MMCAP Facilities via local or toll free phone line, fax, or e-mail during the business day. The contact person should respond to any question, problem, request, etc. on the same working day it is presented.

Vendor will assign, in writing, a specific individual in the Customer Service department as the primary point of contact for MMCAP Facilities serviced by that distribution center.

Accessible via a toll free number, this person will have the knowledge and authority to respond to questions pertaining to stock levels and pricing, and solve operational problems presented by MMCAP Facilities.

4. Vendor will have knowledgeable customer service representatives that make on-site visits on a routine basis as requested by MMCAP Facilities. During these visits the representative will discuss performance issues, solve problems, and help the facility obtain the maximum benefits of the Vendor's available services as provided by the contract.

Account Managers will be capable of addressing any questions concerning Vendor and all services, including ECHO and all of its capabilities. Account Managers will also be knowledgeable of the needs as it pertains to the MMCAP Facilities and all aspects of this agreement.

For MMCAP Facilities that purchase a minimum of $25,000 per month, Vendor Account Managers will visit each MMCAP Facility once per month or as requested by the management of the MMCAP Facility.

For facilities that purchase less that $25,000 per month, Vendor will provide representation for the initial account set-up to educate the MMCAP facility on order entry deadlines, delivery times and procedures, returns processes, shelf labeling, training on the Vendor ordering software, and other routine functions.

Once established, an internal customer service representative will be assigned to the account for routine daily maintenance. Should additional on-site presence be requested, the internal representative will coordinate future on-site visits with the account manager to the satisfaction of the MMCAP facility.

5. Vendor will establish a 90-day implementation schedule, commencing February 1, for the onset of the Vendor contract on May 1, 2004. The representatives must closely monitor the start-up phase of the contract and provide frequent visits to each MMCAP Facility as required. Training must be provided to MMCAP

Facility personnel on use of the complete system, management report usage, and any other in-service education programs that are determined to be necessary by the MMCAP Facility.

February 2-13, 2004:

- Gather recent product usage from MMCAP Facilities.
- Begin process of activating all accounts in Vendor systems and define delivery routes.
- Make initial contact with each member facility to gather information to include, but not limited to:
    - Copies of individual contracts.
    - Copy of DEA registration.
    - Copy of State license.
    - Delivery and payment terms information.
    - Key contact and phone number information.
    - Special requests.
- Order computer hardware.

February 16-20, 2004:

- Begin loading any individual and "tiered" contracts.
- Continue to contact member facility to gather information.
- Continue to load accounts in Vendor systems and define delivery routes.
- Process usage information and conduct a need assessment.

February 23 – March 5, 2004:

- Communicate implementation schedule to each location.
- Complete the information gathering process from the member facilities.
- Complete loading the accounts and defining delivery routes.
- Convert processed usage to MMCAP contract.
- Set up appointments for on-site installation and training. Items to be provided/touched upon will include, but not limited to:
    - Computer hardware installation.
    - Contact information and phone numbers.
    - Software training with sample data.
    - Hard copy Vendor full item catalog.
    - Overview of Vendor procedures.

March 8-19, 2004:

- Receive and test computer hardware.
- Complete setting up appointments for on-site installation and training.
- Finalize loading individual contracts (if applicable).
- Load items currently not stocked by Vendor, but purchased by member facilities as determined by collected usage information.
- Complete receipt and testing of computer hardware.
- Set-up appointments for labeling.

March 22-26, 2004:

- Provide MMCAP Facility a hard copy of MMCAP contract.
- Add usage to forecasting and order product.
- Continue on-site installation and training.
- Begin labeling facilities.

March 29 – April 9, 2004:

- Account profiles will be provided to the facilities to ensure that they are attached to all appropriate contracts, etc.
- Continue on-site installation and training.
- Create and ship "live" software systems.
- Continue labeling facilities.

April 12-16, 2004:
- Appropriate adjustments will be made to account profiles.
- Continue on-site installation and training.
- Continue creation and shipment of "live" software systems.
- Continue labeling facilities.

April 19-30, 2004:
- Finalize on-site installation and training.
- Finalize creation and shipment of "live" software systems.
- Finalize labeling facilities.

May 3, 2004:
- Begin supply process!

Beyond Conversion:
- Appropriate adjustments will be made to account profiles.
- Appropriate adjustments will be made to delivery routes.
- Appropriate adjustments will be made to individual and group contracts.
- Extensive training on ordering system and modules.
- Labeling will continue until completion.

Members of Vendor's management will oversee this implementation process with other various Vendor employees assigned to each ordering location. Employees from Customer Service, Division Distribution, Information Systems, Accounting, Contracting and Purchasing will be involved in this implementation.

Staff Resources:
Director of Health Systems – Team Leader:
- Coordinates successful completion of all implementation tasks.

Distribution Center Manager:
- Customer Set-up specifications
- Delivery schedules
- Key contact to Director of Pharmacy
- Distribution Center tour
- 24 hour customer service available
- Quarterly Review meeting

Inventory Manager:
- Collects Usage Information (electronic input is encouraged)
- Speaks with Purchasing Agent

Contracts Coordinator:
- Facilitates loading of group contracts
- Collects information relative to individual contracts
- Facilitates loading of individual contracts

Customer Service:

- Establishes Callback Procedure
- Coordinates Problem Resolution

Account Manager:

- In-Service Training
- Meets with Accounts Payable
- Establishes Invoice, Sticker and Statement Formats
- Details Report and Program Options
- Installs and trains on all Software Programs
- Establishes Routine Call Schedule

6. The Vendor should maintain a service level of at least 95 percent, which will be computed as follows:

$$\frac{\text{Number of Line Items (Total Units) Filled Upon Order}}{\text{Number of Line Items (Total Units) Ordered}}$$

Units must be based on the packaging associated with the NDC number.

Items backordered or otherwise unavailable from the manufacturer, not-on-contract items not normally stocked by the Vendor's responsible distribution facility, and partially filled lines (greater than 50% of the quantity ordered) which are reordered and completely filled within two days will be excluded from the service level calculations. The MMCAP-contracted Vendor must supply maintenance service level information upon the request of MMCAP Office or MMCAP Facilities.

7. Vendor will be able to submit an invoice with each order, containing, at a minimum, the following information:

- MMCAP-assigned facility ID (unique identifying number for each MMCAP Facility)
- MMCAP facility name
- Vendor-assigned account number for the MMCAP Facility
- Invoice number
- Invoice line number
- Purchase order number
- Invoice date
- Vendor's SKU item number
- NDC of purchased product in 5-4-2 format as stored in First DataBank, Inc.
- Type of transaction (MMCAP contract purchase, other contract purchase (340B, PHS), not on contract purchase)
- Label Name
- Packaging as associated with NDC number
- Unit price
- Quantity ordered (not Vendor repackaged or re-bundled quantity)
- Quantity shipped (not Vendor repackaged or re-bundled quantity)
- Extension (unit price multiplied by the quantity shipped)
- Service fee
- Bill to address
- Ship to address
- MMCAP Contract number
- Class of Trade
- Vendor name

- Administration fee for not-on-contract items
- Each MMCAP facility will have the option to display the AWP

If a partial order is included, give the reason for the partial order (e.g., manufacturer backorder, discontinued by manufacturer, temporarily out). Cash discounts must be indicated on each invoice as a written statement. The invoice must be only for the amount of product delivered, not the amount ordered. Quantity ordered and quantity shipped must be based on the packaging associated with the NDC number. Electronic files containing the invoice data specified above for all facilities and contract pharmacies must be transmitted to the MMCAP Office on or before the 15th day of the subsequent month. The electronic files shipped to the MMCAP Office must be in a row and column format so they can be uploaded to MMCAP's software system.

8. Vendor will immediately notify MMCAP Facilities, in writing, of any product subject to recall by the product's manufacturer or Vendor.

- Class 2 recall notices are provided electronically on all invoices.
- Vendor notices are attached to invoices, sent via the US Postal Service and, if available, delivered electronically via email.
- For life-threatening recall situations, a history will be generated identifying each MMCAP Facility that had ordered the product and Customer Services would make direct contact with that MMCAP Facility.

2. B. Product Stocking and Order Placement

1. Vendor must make all services and products that are available to its general customers, but not specifically mentioned within the contract, available to all MMCAP Facilities.

2. Vendor must maintain adequate supplies of contracted products, process all purchase orders, and serve as distribution centers for assigned MMCAP Facilities.

3. Vendor must not condone or encourage in any way the purchase substitution of an MMCAP-contracted item with that of a not-on-contract item.

4. Vendor must provide no-charge order transmissions to the Vendor's distribution center.

5. Vendor must offer to all MMCAP Facilities any reduction of any fee established by the contract or the provision of any additional services above and beyond those established in this contract that is offered to any one MMCAP Facility.

6. Vendor must not remove any MMCAP-contracted product from its ordering system(s) without prior written notification of the MMCAP Office.

7. Vendor must provide at no additional cost to MMCAP or its MMCAP Facilities individual price stickers for each item on each delivery if requested by an MMCAP Facility. Stickers should include, contract price, NDC number, order quantity, order date, SKU item number, and invoice number.

8. Vendor must have an ordering system that allows for the input of individual purchase order numbers, assigned by the MMCAP Facility, for each order submitted.

9. Vendor must provide to the MMCAP Office, at no charge and prior to the start of the contract period, a copy of the computer ordering system software to be used for contract auditing.

10. Vendor must refrain from making changes to contract items with regard to price, manufacturer, or product description without written approval from the MMCAP Office. NDC numbers that are revised without any change to the product or manufacturer may be changed by the Vendor with notification sent to the MMCAP

Office. The Vendor must enter MMCAP pharmaceutical contract changes (additions, deletions, price changes, etc.) into its ordering system software of all distribution centers and/or Internet site (if applicable) within 5 business days of the receipt of the MMCAP documents listing the contract changes.

11. Vendor must make any software upgrades, which are available to its general users at no additional charge, available to MMCAP Facilities at no additional charge.

12. Vendor will provide to each MMCAP Facility an ordering method that allows the facility to quickly and accurately order the correct products (MMCAP-contracted and not-on-contract), within the technological capabilities of the MMCAP Facility. The Vendor must provide setup, training, and maintenance.

Customers may submit purchase orders by various methods including the Catalog Order Entry (COE) on iVendor, ECHO, iECHO or through hand-held Telxon devices. Vendor'sWeb based system provides item catalog information and order processing with real time inventory and cost monitoring. There will be no order transmission charges for order-entry systems.

Windows Based Order Entry
Vendor will provide a state-of-the-art inventory management system called *ECHO*. *ECHO* allows the user to efficiently place an order with complete flexibility. *ECHO* provides an effective means of accessing important contract information, contract compliance data, and wholesaler stock status within minutes of order transmission. Vendor will confirm item shipment and display alternatives for items not available due to manufacturer back orders. These reports can identify opportunities for user in formulary substitutions; track usage patterns, and identifies changes in pricing as they occur. A sophisticated report writer empowers the pharmacy to harness the vast amount of data available within *ECHO*. The "auto-check" feature assures contract compliance with each purchase order and leads the pharmacy buyer down the path of cost effectiveness.

Each *ECHO* system is able to handle up to 999 account numbers, each with pricing and contract information. *ECHO* is also capable of operating under a "depot" system whereby remote sites can assemble their order requests, transmit them to Vendor, be received by a central ordering location for final review and submitted back to Vendor for final processing.

All of the *ECHO* modules will be designed to give the latest technology for control of the customer'sinventory. In addition to *ECHO*, Vendor will provide *ECHO Inventory Module* or *EIM*. A companion to *ECHO*, *EIM* enables the pharmacy to conduct physical inventory of the pharmacy stores quickly and accurately. The extensive array of management reports contained within *EIM* provides the keys to effective inventory control and reduction. Other features include Vendor's*Inter-Departmental Billing Module*. This module manages the tracking and reporting of medications and supplies dispensed to other hospital departments and will greatly ease the burden of providing a full accounting of these activities.

Key features of *ECHO:*

- *ECHO* provides daily updates to the entire item file (price changes, including; contract, non-contract and AWP, new item, deletions, etc.) via a user initiated electronic update.
- *ECHO* has the capability to limit the database product search to those items contracted by MMCAP.
- *ECHO* utilizes bar code scanning technology to allow for easy order entry via the hand held device and bar coded shelf labels. *Bar code scanning* also automates the receiving process by scanning the manufacturer's bar code then downloading into *ECHO* for comparison to the confirmed order.
- *ECHO* supports Pyxis Medstation Interface Technology. *ECHO* is interfaced with the Pyxis dispensing unit through the Inter-Departmental Billing module to accumulate dispensing information from each Pyxis dispensing unit to automatically establish a purchase order.
- *ECHO* is capable of accumulating satellite pharmacy and nursing station orders to facilitate the distribution of product through the central pharmacy.

• *ECHO* is capable of tracking product quantities in units to include ampules, capsules, tablets, grams, vials, etc., through the Inter-Departmental Billing Module, which will be provided at no charge to MMCAP Facilities.
• *Bar code scanning* also automates the receiving process by scanning the manufacturer's bar code then downloading into *ECHO* for comparison to confirmed order. *ECHO* does not currently support tracking of expiration dates and lot numbers, however, Vendor programmers responsible for *ECHO* will work in conjunction with MMCAP Facilities to establish a procedure to accomplish this task.
• *ECHO* system provides a variety of interface formats to exchange price updates, order import and receipt information with virtually any pharmacy management software package. Currently available interfaces include:
• Access – Lionville Systems, Inc.
• AHI – Automated Healthcare, Inc.
• Allied Computer
• Cerner
• Compute-Rx
• Condor
• Datastat – MC
• Healthcare Systems HCS
• IBS PC – Pharmacy
• Liberty Drug Systems
• Medics
• Megasource
• OmniSys
• Performance
• Pharmakon
• Phamis-Lastword
• Pyxis
• QS/1
• RNA
• Rx-Link
• Rx30
• VIP

Vendor programmers will work with MMCAP Facilities to provide record layouts to interface with the chosen hospital systems if the above interfaces are not compatible.

ECHO has a variety of options to support multiple users for one central system:

- Depository:
  ⇒ Ancillary, satellite or other remote locations would "transmit" to a depository via an electronic hand-held device (i.e. Telxon).
  ⇒ Central pharmacy/order point would "pull down" orders from depository into their *ECHO* for review and modification.
  ⇒ Central pharmacy/order point would transmit all remote orders via their *ECHO*.

- PC to PC:
  ⇒ Ancillary, satellite or other remote locations would create their own order via *ECHO*.
  ⇒ Prior to transmission, remote location would call central pharmacy/order point.
  ⇒ Central pharmacy/order point would "log on" to the remote location.
  ⇒ Central pharmacy/order point would be accessing the hard drive of the remote location from the main central pharmacy/order point.
  ⇒ Central pharmacy/order point would review the order, make any necessary modifications, and then transmit the remote location order.
- *ECHO* operates in the Windows NT, 95,98, 2000, and XP environment.

- *ECHO* provides reports capable of combining usage by *Generic Name, Generic Code, and Therapeutic Class* in a twelve (12) month rolling velocity format or user defined date ranges.
- *ECHO* is capable of limiting the product database to contract items only and identifying formulary items along with offering a field to enter *User Defined Information Field* codes. These capabilities allow full customization of the database for each customer or a defined group of customers.
- *ECHO* is capable of generating bar code labels with the use of bar code label printers and also maintains the capability of exporting a *shelf label request file* to be used by Vendor to generate bar code labels.

Internet Based Order Entry:
iECHO is a business to business Internet offering. This product is the culmination of years of development of two predecessor products, ECHO and ECHO for Windows. iECHO is fully integrated into Vendor's warehouse management system so customers see real time information. Contract pricing, generic equivalents and inventory levels are all available during the ordering session. The customer can also see manufacturer backorders, receivable balances, invoice history and other important account information. The next release of this revolutionary new product will feature important clinical information for pharmacy personnel and allow continuing education courses and CE credits.

iECHO serves as an information and solutions provider, delivering important healthcare content and resources to the extended pharmacy community, as well as transactional and commerce opportunities. Using these features can help manage inventory and improve inventory control. The industry's finest pharmaceutical-based catalog and order entry system streamlines procurement and maximizes distribution. Sophisticated and robust, yet customer-friendly online products and services allow for on-line viewing of product availability, order status and reporting.

- *iECHO* creates Internet-driven solutions while eliminating reporting inefficiencies.
- Allows anytime access to account and product information.
- Clearly defined user interface and navigation.
- Facilitates easy navigation of portal.
- Online product registration and account linking.
- Automates the cumbersome manual setup process and also maximizes customer service, support and sales resources.
- *iECHO* catalog and order entry provides the flexibility to order products via the Internet or off-line on a desktop version.
- Vendor's *iECHO* Internet portal is Vendor's conduit for Vendor's customers to access Vendor's sophisticated applications including *iECHO* catalog and order entry and reporting which includes Market Share Reporting and other standard reports such as 80/20 and Back Order.
- *iECHO* reporting offers you the most up-to-date technology, along with the capabilities of checking stock in the division, immediate allocation and substitution, and true acquisition pricing.

There will be no costs to MMCAP for set-up, implementation, training and maintenance costs on Vendor ordering systems.

2. Vendor will provide an electronic catalog of all MMCAP-contracted items clearly labeled as MMCAP-contracted products and readily accessible for ordering via the Vendor's ordering system. This access should be available to all requesting MMCAP Facilities at no cost. The system's capabilities must be able to:

a) View all contracted items and the Vendor's inventory (online in real time)
b) Place electronic orders
c) Review pending orders for correctness and contract compliance
d) Provide online allocation of ordered amounts
e) Receive order confirmation
f) Create reports particular to the needs of the user (The system should be able to create, review, and modify an inventory file that would include any item contained within its system and can be modified to include any non-system items. The physical inventory system should be able to print count sheets for

manual counts and be capable of manual item quantity entry. Telxon units should also be capable of uploading items and their quantities into the system. This feature should then provide a complete and accurate inventory listing with current pricing and contract information.)
g) Return authorization
h) For items with a price increase, create an inventory report showing the quantity in stock prior to the implementation of the price increase, and the date the inventory was taken

The Vendor ordering systems will meet and exceed all requirements listed above.

a) View all contracted items and the Vendor's inventory (online in real time)
- ECHO clearly defines the contract associated with each item.
- MMCAP contract items are identified as "MMS"
- All MMCAP contract items are displayed in ECHO
- Contract pricing, generic equivalents and inventory levels are all available during the ordering session.

b) Place electronic orders
- All order submission processes are electronic

c) Review pending orders for correctness and contract compliance
- 1-Key touch for contract compliance check prior to order submission

d) Provide online allocation of ordered amounts
- Inventory is allocated to MMCAP Facility upon receipt of order

e) Receive order confirmation
- ECHO provides immediate order confirmation and displays quantities to be shipped for each item ordered.

f) Create reports particular to the needs of the user (The system should be able to create, review, and modify an inventory file that would include any item contained within its system and can be modified to include any non-system items. The physical inventory system should be able to print count sheets for manual counts and be capable of manual item quantity entry. Telxon units should also be capable of uploading items and their quantities into the system. This feature should then provide a complete and accurate inventory listing with current pricing and contract information.)
- ECHO is supported with a database that is easily assessable with Microsoft Access allowing full access to invoice level detail information.
- Any information displayed in ECHO can be modified (except the price file).
- The ECHO inventory Module can print count sheets as well as generate multiple inventory reports on-site.
- All Telxon units will be supported with bar-code reading wands for scanning bar-coded shelf labels.
- All Telxon units will allow uploading of items into ECHO.
- Once uploaded, ECHO will display a complete and accurate inventory listing with current pricing and contract information

g) Return authorization
- A Returns document can be generated and electronically transmitted via the ECHO RMA (Returns Merchandise Authorization).

h) For items with a price increase, create an inventory report showing the quantity in stock prior to the implementation of the price increase, and the date the inventory was taken
- This information can be generated via ECHO.

There is no charge for any MMCAP facility, regardless of size, for an electronic catalog.

There is also no charge for any MMCAP facility, regardless of size, for the use of the order entry software ECHO (Windows) or for iECHO (Internet).

3. If the ordering system is not Internet based Vendor will also provide a computer hardware system to any MMCAP Facility meeting the Vendor's predetermined purchasing volume requirement

Every MMCAP ordering location will have access to either the Windows based ECHO program or the Internet based iECHO program free of charge for the duration of the agreement.

Every MMCAP ordering location will have access to a Telxon order entry unit free of charge for the duration of the agreement.

Any MMCAP ordering location purchasing over $25,000 per month will be eligible for free PC Hardware. The minimum specifications are as follows:

Pentium IV (2.0 GHz)
40-Gigabyte Hard Drive
256 Megs RAM
17 inch VGA Color Monitor
56k Baud Modem
CD-ROM – 48x

Any MMCAP ordering location purchasing less than $25,000 per month will be eligible for PC Hardware at a cost of $50.00 per month.

4. Vendor will provide bar-coded shelf labeling, at no cost, to each requesting MMCAP Facility. These bar-coded shelf labels must contain generic and/or brand names (at MMCAP Facility's request) and differentiate between contract and not-on-contract items. At the beginning of the new MMCAP pharmaceutical contract year (May 1 of each year), the Vendor will provide to each requesting MMCAP Facility either a complete set of labels for all contracted MMCAP products, or a set of all labels for new product additions to the MMCAP contract since the previous contract. The requesting MMCAP Facility will determine which set it will receive. The Vendor will also provide bar-coded shelf labels to MMCAP Facilities for any products added to the MMCAP contract during the contract year.

Vendor will provide shelf label printing capabilities with customized formats available. Bar coded shelf labels with minimum, maximum, and suggested order quantities can also be routinely provided. Shelf labels are electronically requested through ECHO. Upon request, shelf labels can be printed the following day and promptly delivered to the pharmacy.

Product stickers and shelf labels can be printed on-site with the purchase of a Zebra printer. Vendor can facilitate the purchase of printers on behalf of MMCAP. However, Vendor has the capabilities to print the labels at the servicing division and deliver to each facility the next day.

5. Upon the request of any MMCAP Facility not using the electronic ordering software, Vendor will provide monthly, a list of the Vendor's stocked contract and not-on-contract drugs showing current WAC and MMCAP-contract pricing. The report is expected to include the NDC number, label name, packaging, and Vendor's SKU number. The report is expected to be available to the facility sorted by either NDC or label name, as requested. Some pricing is dependent on values other than WAC, like National List Price.

Upon the request of any MMCAP Facility not using the electronic ordering software, Vendor will provide a list of the inventory of the servicing distribution center showing current WAC and MMCAP-contract pricing.

The report will include the NDC number, product description, package size, vendor name and Vendor item number. The report will be provided to the MMCAP Facility sorted by a field as requested by the MMCAP Facility (i.e., NDC, product description, Vendor item number, etc.)

6. Vendor will provide an electronic or paper copy of the full MMCAP contract listing at the start of each MMCAP pharmaceutical contract year (May 1 of each year) to each requesting MMCAP Facility. This list must

contain the complete MMCAP pharmaceutical contract and contracted Vendor's SKU number for each product. The Vendor must also, at this same time, provide a report to each requesting MMCAP Facility of all items that are on the new MMCAP contract since the previous contract.

At the start of each MMCAP pharmaceutical contract year, or upon the request of any MMCAP Facility, Vendor will provide a complete list of the MMCAP pharmaceutical contract

The report will include the NDC number, product description, package size, vendor name and Vendor item number, AWP and MMCAP-contract price. Upon request of any MMCAP Facility, Vendor will provide a contract comparison report that will show new items added to the MMCAP contract since the previous contract period.

7. Vendor must not remove any MMCAP-contracted product from its ordering system without prior written notification of the MMCAP Office and the MMCAP Facilities affected by the removal.

Vendor will not remove any MMCAP-contracted product from its ordering system without prior written notification to the MMCAP Office and the MMCAP Facilities affected by the removal or the MMCAP Facility will be refunded the difference between the contracted product and the product ordered.

8. Vendor must add to stock any previously non-stocked (very low usage) MMCAP-contracted item requested by any MMCAP Facility. This requested, previously non-stocked product is expected to be delivered to the requesting MMCAP Facility within 10 days.

Vendor will stock all items on the MMCAP contract where usage and demand from a MMCAP Facility has been generated. Vendor will load the entire MMCAP contract portfolio and will display all items in the ECHO system. Non-stock items will be coded as such, but will be displayed in all generic cross-reference functions.

Any requested item(s) to be stocked will be activated in the Vendor ordering system with 48 business hours. The product will be added to the Vendor inventory stock the same day as received from the manufacturer. (Currently, the lead time of receipt from the manufacturer ranges from 5 to 20 days.)

Items with low usage (3 per month or less) may be limited to certain distribution centers.

2. C. Delivery

1. Vendor must invoice all MMCAP Facilities at WAC (Wholesale Acquisition Cost - at the time the order is ordered) or less, plus the negotiated service fee for any non-MMCAP contracted product.

2. Vendor must invoice MMCAP Facilities for all products ordered at the WAC, plus the negotiated service fees or at the MMCAP-contracted price, plus the negotiated service fees, whichever is less throughout the life of the contract.

3. Vendor must invoice the MMCAP Facility at the MMCAP-contracted item price if an MMCAP Facility has an immediate need for an MMCAP-contracted product that the Vendor is unable to supply and the ordering facility needs to buy an equal generic (non-branded) not-on-contract product on the open market. This applies only if the ability to supply exceeds 7 business days and it is determined that the MMCAP contracted Vendor is at fault. Note: It is the Vendor's responsibility to demonstrate that a backorder is the fault of the pharmaceutical manufacturer and not the Vendor.

4. Vendor represents and warrants that the products are not counterfeit, and that the products are not distributed without the manufacturer's authorization.

5. Vendor must deliver all routine scheduled order shipments F.O.B. destination freight (prepaid) only. The Vendor will maintain title and assume all risk of loss or damage to the items furnished until receipt, inspection and acceptance of the shipment by the ordering MMCAP Facility. Signature of delivery receipt will not constitute final acceptance. Notice of any discrepancies in the products delivered will be conveyed to the Vendor within two business days after delivery receipt. All shipping costs will be included in the Vendor's service fee (an exception may be made for an additional delivery charge for low volume purchases if negotiated within the contract.)

6. Vendor must provide all legally required documentation and special handling/packaging for transport of chemotherapeutic drugs and hazardous materials from the Vendor to the using MMCAP Facility.

7. Vendor must not refuse to deliver to any MMCAP Facility without notification to the MMCAP Office.

8. Vendor must deliver, at no extra charge, to a single mutually agreeable site at each MMCAP Facility (inside deliveries accepted only). Additional delivery sites may be added at an MMCAP Facility upon the majority agreement of the MMCAP Facility, MMCAP Office, and the MMCAP-contracted Vendor.

9. Vendor must have the capability to deliver ordered products (non-C II) to a different address than that from which the order was placed and the invoice is sent.

10. Vendor must deliver controlled substance orders (C-II) on the next business day after the Vendor's receipt of the DEA Form 222.

11. If it is determined by the MMCAP Facility that a delivery of medical biological products did not meet the manufacturer's shipping requirements, the MMCAP Facility reserves the right to reject the product at no cost to the agency.

12. Vendor will provide service to the following MMCAP Entities:

Alabama
Arkansas
Hawaii
Kentucky
Michigan
Utah

13. Vendor's distribution process is as follows:

Once the order is received (either electronically, or keyed in by customer service), the inventory is allocated to that customer. If order received by the pre-determined order entry deadline, the order is picked that evening and delivered the next day. Orders that are placed on weekends are picked Sunday night for Monday delivery.

14. Vendor will provide a daily order and delivery schedule and will deliver complete orders the next business day after an order is placed (Monday through Friday; orders received on a Friday or holiday will be delivered the next business day). The ordering and delivery schedules should provide late in the day order submission and early next day delivery.

The minimum order entry deadline for next day delivery, Monday through Friday, for all MMCAP Facilities, will be 5:00 p.m. In the majority of instances, the order entry deadline is 7:00 p.m.

The majority of all MMCAP Facilities members will receive their order next day by 10:00 a.m. All deliveries will be made by next day 12:00 noon for any MMCAP Acute Care hospital.

15. The Vendor must not require an MMCAP Facility to have a DEA number in order to obtain services unless the facility places orders for controlled substances. MMCAP Facilities will have a HIN number assigned.

Vendor will not require a MMCAP Facility to have a DEA certificate in order to obtain services unless the MMCAP Facility places orders for controlled substances. If the MMCAP Facility does not have a DEA certificate but does have a HIN, then the MMCAP Facility can order non-controlled MMCAP contract items.

The chargeback reconciliation process at Vendor is performed in a manner that will allow Vendor to identify any pricing discrepancies in a timely manner.

16.. Vendor will establish an emergency ordering procedure that the using MMCAP Facility can utilize to secure products by the most expeditious means available. The Vendor must provide a 24 hour a day, seven day a week toll-free emergency telephone number to be used to initiate this emergency ordering procedure.

Vendor will provide emergency delivery services (for critical pharmaceuticals) to MMCAP facilities, twenty-four (24) hours per day, seven (7) days per week. MMCAP facilities will receive a toll free number to be used after hours. Contact names and numbers will be provided during normal business hour communications.

Vendor provides emergency service 24 hours per day, 7 days per week year round. Vendor guarantees same day response, within three (3) hours of initial contact for critical medications in an emergency situation. A Vendor representative will be contacted via cell phone to coordinate the delivery of life saving pharmaceuticals. Product will be obtained from the closest distribution center and emergency delivery will be provided via the most effective method (i.e. Vendor's own drivers, the local account representative, a contracted same day delivery service, public bus service, air courier.) In time sensitive cases, Vendor would employ the assistance from the State Patrol office and/or National Guard.

Any single delivery location purchasing greater than $15,000 per month will be eligible to receive 2 free emergency deliveries per month.

Any single delivery location purchasing less than $15,000 per month will not be eligible to receive free emergency deliveries unless the single emergency order is greater than $750.00.

In the event there is a delivery charge, it will be limited to the cost of the courier only.

5. It is expected that medical biological products will be shipped according to manufacturer requirements, and, if necessary, temperature monitors will be used to verify that product temperatures have remained within the manufacturer's required temperature during the shipping process.

All products will be stored and shipped to MMCAP Facilities under the specifications mandated by the manufacturer and/or FDA. In the event a MMCAP Facility receives an item in concern, the MMCAP Facility will receive a replacement within 24 hours. Credit for the original product will be issued within 48 hours upon receipt of product by Vendor servicing division.

2. D. Manufacturer Requirements

1. Vendor must have agreements with all MMCAP-contracted vendors necessary to provide and stock all MMCAP-contracted products. A chargeback system is to be arranged by the Vendor for the difference between its wholesale costs and the MMCAP-contracted cost with the vendors. This chargeback system is not the responsibility of MMCAP.

2. Vendor will make full disclosure of all its requirements for stocking an MMCAP manufacturer's products. These requirements must not change during the time of this Vendor contract without the written consent of the MMCAP Office.

3. Vendor will require from each manufacturer:
   - Certificate of Insurance for Products Liability Insurance including Contractual Liability with Vendor and its Subsidiary Corporations as Additional Insured against liability for either persons or property, with a limit of insurance or not less than U.S. $ 5,000,000 Combined Single Limit (Bodily Injury and Property Damage), and a Broad Form Vendors Liability Endorsement.
   - "Continued Guaranty and Indemnification Agreement" signed by an Officer of the Company.
   - Payment Terms
     - Initial Order: Minimum, 2% 60 days, Net 61.
     - All subsequent orders: Minimum, 2% 30 days, Net 31.
     - EFT Terms: Minimum 2%, 35 days
     - Supplier payments mailed on invoice due date (Invoice due dates falling on Saturday and Sunday will be mailed on Monday, or the next business day).
   - Order Minimums
     - Reasonable prepaid shipping minimum set on product sales.
   - Reasonable item purchase minimums.
   - Return Policy
     - Adjust overstock semi-annually.
     - Accept returns on items within six months, or less, of expiration date.
     - Accept returns on items up to one year after expiration date.
     - Guaranteed return of any items and payment by check for any debit balance that results from said return.
   - Price protection against price decreases
   - Price protection against price decreases for current on-hand and in transit inventory.
     - Contracts/Chargebacks
     - Electronic Bid Award.
     - Electronic Chargeback Reconciliation.
     - Electronic Chargeback Submissions.
     - Chargeback Cash Assistance Program.
     - If all the above are not met, auto deduction of Chargebacks will be enforced.
   - Supplier Profile
     - Must have a product line in Vendor's chosen markets.
     - Must afford us an opportunity for profit.
     - Must be an ethical company.
   - Partnership Agreement
     - Programs to recognize and compensate for value-added services and programs.
     - Allow auto deduct of any agreed upon advertising or push monies.
   - Missouri and Florida Licensing
     - All Distribution Centers / Manufacturing Locations that ship product to Missouri and Florida MUST be licensed to ship into the states of Missouri and Florida.
   - New Supplier Fact Sheet Internal Information (Text box at bottom of sheet)

Category manager needs to identify special handling required or notification of multiple vendor codes for program participation.

2. E. Inventory Management

1. Vendor will provide an inventory of newly contracted items sufficient to meet the needs of the MMCAP Facilities from the beginning of the pharmaceutical contracting period (May 1 of each year).

Once the new contract period has been in existence for 30 days, a report will be generated that will show all MMCAP contracted items that have been shorted in that 30-day period. Usage from each MMCAP Facility will be compared to the Quantity On Hand and Quantity On Order to ensure proper inventory levels are in the supply chain.

2. In the event a distribution facility is out of stock of an established MMCAP-contracted item, Vendor will supply the product by the most expeditious process possible, but no later than seven days. The distribution facility should attempt a stock transfer from another distribution facility, at no extra cost to the MMCAP Facility placing the order.

In the event a Vendor distribution facility is out of stock of an established MMCAP-contracted item, Vendor will make every attempt to ship the contracted item from another Vendor distribution center. In the event this happens, the MMCAP Facility would receive the contracted item within 48 hours.

3. Vendor will supply drugs having a shelf life of greater than six months unless the unique properties of a particular product require shorter dating or upon the approval of the MMCAP Facility. If this is not possible, notification should be sent to the ordering facility.

4. Returned goods policies must encompass, at a minimum, the following:

a) All returns must be picked up within five working days of notification or at the next delivery, whichever is greater. Notification is defined as given verbally, in writing, fax, or by electronic means.
b) No restocking charges will be imposed on the return of "Wrong Product," "Ordered in Error," and "Short Dating" orders.
c) For "Recalled Items," pickup must be within five working days from date of notification or at the next delivery, whichever is greater or as specified in the recall notice.
d) For items found to be in any way defective; pickup must be within five working days from notification of the noticed defect or at the next delivery, whichever is greater.
e) For apparent damaged products refused on receipt of delivery, the MMCAP Facility must notify the Vendor of the damaged product. The Vendor must replace or credit the damaged product within 48 hours, upon reorder by the MMCAP Facility, at no extra delivery charge.
f) All credits must be issued within 10 working days of the return of the goods.
g) MMCAP reserves the right to deduct from the invoice all credits not issued 10 working days after the return of the goods.

It is the policy of Vendor to comply with the requirements of the Prescription Drug Marketing Act of 1987, as well as all state PDMA regulations, with regard to the return of prescription drugs by its customers. Credit issued for returned product will not exceed the purchase price of the product.

Vendor's Returned Goods Policy:

Returnable Merchandise

Merchandise originally purchased from Vendor returned in saleable condition within 60 days of invoice date provided, will be credited at 100% of the original amount.

Merchandise originally purchased from Vendor returned in saleable condition beyond 61 days of the date of the invoice provided will be credited at 80% of the original invoice amount.

Merchandise originally purchased from Vendor returned in non-saleable condition, which is accepted for return by the manufacturer, will be credited at 50% based on the approximated value received from the manufacturer, less a handling fee.

Non-Refundable Merchandise

The following merchandise will not be accepted for credit:

1. Class II and IIN controlled substances;

2. Open packages, partial bottles, broken seals, or any other product not returned in unopened original packaging, except for manufacturing recalls;

3. Products whose manufacturer requires direct or third-party return, except in the case of merchandise mis-shipments or mis-orders if reported within 5 business days of receipt;

4. Products sold as non-returnable by the manufacturer or Vendor.

Repack

1. Full-unopened out-dated bottles can be returned to the distribution centers. Customer credit will be issued based on the established customer/division returns policy for non-salable merchandise. Product can be returned up to six (6) months beyond expiration date.

2. Open and partial out-dated bottles MUST be returned to Vendor's third party processor, Universal Solutions. Customers should call 1-800-777-6565; ask for the customer service department and request assistance with the "AmerisourceBergen Brand Repack Returns Program". Universal Solutions will then send a return kit to the customer. Upon receipt of the kit, customers can follow the simple instructions and return the product to Universal Solutions. Upon receipt, Universal Solutions will verify the count and content of each bottle. Universal Solutions will then notify American Health Packaging of the amount returned. American Health Packaging is responsible for notifying all the servicing distribution centers. The servicing distribution center will be responsible for calculating and issuing the customer credits. Customer credit will be issued quarterly based on the established customer/division returns policy for non-salable merchandise. Product may be returned up to six (6) months beyond expiration date.

3. This returns privilege will be extended only with full compliance to the auto-sub program... Substitution Solution.

PDMA Certification

To receive credit, a signed, dated PDMA return certification form must accompany all prescription drug returns. A sample of the approved certification language is as follows:

Amount of credit not to exceed original purchase price.

Schedule Item Returns

Return of scheduled items (other than Schedule II and IIN) must be pre-approved by the divisions. Scheduled drug returns must be packed separately from non-schedule returns and proper procedures followed to ensure compliance with current law, including CFR21. Schedule items returned in violation of this policy will not receive credit.

Hazardous Substances Returns

The returns of hazardous substances must be pre-approved by the divisions. Hazardous substance returns must be clearly marked and packed separately from non-hazardous substance returns. Hazardous substances returned in violation of this policy will not receive credit.

Temperature Control Returns

Items requiring temperature control during shipment must be called in to customer service/returned goods department for return authorization.

Electronic Credit and Return Requests

Credit and return requests should be entered electronically to assure proper and prompt credit. ECHO credit entry should be used for ordering errors, defectives, outdated, and overstocked items. Requests for credits involving billing errors, damaged in shipment, shortages, and filling errors must be phoned into the Vendor customer service/returned goods department at the Vendor division serving you.

MMCAP can key the returns into their Telxon/ECHO or any computerized ordering system. The return authorization sheets are sent out to MMCAP the next day and product is picked up by the delivery driver and returned to the Distribution Center. The Distribution Center will process the return and issue the credit based on the status of the returned product.

Vendor's returns process is fully automated and credits are normally issued within 24 hours of the receipt of product to the division. The process consists of the following steps:

- MMCAP will transmit the expected return (or call it into customer service) to Vendor's system with the required information (qty, invoice #, etc.).
- Vendor's system generates a Merchandise Return Authorization, which is printed at 6:00 PM daily and sent to MMCAP with their next order. (the same night if there is an order going out to that customer).
- Once the MRA is received by MMCAP, they can return the product to Vendor. The MRA is printed on 2-part paper, allowing MMCAP to keep a copy for their records.
- When the return arrives at the division, Vendor's clerks sign on to the MRA, segregate the product into salable and non-salable, and then proceed to scan it back into Vendor's inventory with the appropriate credit codes.

After the clerk completes the scanning, the MRA will be closed and a credit will be issued by the Vendor system. Through ECHO, MMCAP will be able to see the credit online within one hour.

5. Vendor must have an agreement throughout this contract period with the MMCAP-contracted returned goods processor (currently Guaranteed Returns, Inc.) to allow all MMCAP Facilities to fully participate in the services offered by the MMCAP Pharmaceutical Returns Contract.

Vendor will commit to put in place the necessary procedure that will allow all MMCAP Facilities to fully participate in the returned goods services offered by the MMCAP Pharmaceutical Returns Contract.

2. F. Pharmaceutical Contract Compliance

1. Vendor must encourage MMCAP Facilities to purchase MMCAP-contracted products.

2. In the event the Vendor supplies non-contract items to complete an MMCAP Facility's order, MMCAP anticipates that the Vendor will pay an administration fee of not less than 1.5 percent and not more than 3 percent for these products.

Vendor will not automatically substitute contract items with non-contracted items.

2. G. Reports

1. Vendor must have the means to monitor the usage of MMCAP-contracted items after the establishment of the estimated usage at the beginning. of the contract period. It is the Vendor's responsibility to maintain sufficient inventories of contract items to supply the average monthly usage of each MMCAP Facility.

2. Vendor must report all purchases of MMCAP-contracted products by MMCAP Facilities to the products' manufacturer as MMCAP contract purchases.

3. Vendor must provide access to contract pricing and usage reporting to each individual State Contract for its MMCAP Facilities. Access may be through the Internet, downloads using specialized computer software/hardware, or by printed reports distributed on a pre-arranged schedule to the state contract.

The electronic files supplied to the MMCAP Office must be in a row and column format so they can be uploaded to the MMCAP Office software system.

4. Vendor will be able to supply to the MMCAP Office accurate monthly payment data on or before the 15th day of the second subsequent month (e.g., June's data will be due August 15). At a minimum, this data MUST include the following for every transaction between the Vendor and the MMCAP Facility:

- NDC of purchased product in 5-4-2 format as stored in First Data Bank, Inc.
- MMCAP Facility Name
- MMCAP Facility ID Number
  (unique identifying number assigned to each MMCAP Facility by the MMCAP Office)
- Vendor-assigned account number for the MMCAP Facility
- Purchase order number
- Vendor's SKU item number
- Payment due date
- Label name
- Date payment credited to account
- Quantity purchased. Quantity must be expressed in terms of the packaging associated with the NDC (not Vendor repackaged or re-bundled quantity).
- Dollar amount of transaction to the third decimal place (e.g., $15.713)
  The dollar amount must be the actual acquisition cost, after any discounts and service fees.
- Credit transaction identifier (returned item credit)
- Packaging as associated with NDC number
- Invoice number payment is credited against
- Invoice line number payment is credited against
- ID of person making the payment

All of the requested elements are available for reporting from Vendor. These reports can be created on-site with user-friendly applications. Usage information at the invoice detail level is easily reviewed using InterLinx reporting. Account Review provides account summary, invoice summary and payment summary that can be viewed on-line, printed or downloaded.

Another option would be to have a customized report designed to meet unique specifications. This monthly report would be delivered electronically and in the desired format.

Interlinx™ features Standard and Ad Hoc report options to meet all needs. It also produces monthly reports in seconds and quarterly reports in minutes.

InterLinx™ is Internet based, so it does not take up valuable space on the customer's hard drive. This eliminates the need for costly software and hardware updates, as well as providing immediate integration and access for any new stores (or facilities) that you purchase. Data is updated daily based on the customer's current acquisition pricing, referencing 24 months of detailed invoice data for complete purchase and trend history.

Encryption, password protection and user-level security options keep information safe from unauthorized eyes. Data is available two business days following invoicing. InterLinx™ has the ability to export data for use in other applications.

The payment is credited to the invoice at the summary level not to a specific line item.

2. Vendor will supply to the MMCAP Office accurate reports with the following information:

a) Monthly, quarterly, and annual reports detailing total purchases (payment amount and units) by individual item (clearly identified via NDC, SKU, vendor, and label name) sorted in both label name and descending dollar order. Units must correspond to the packaging associated with the NDC.
b) Weekly or monthly reports associating invoice numbers and purchase order numbers, indicating contract and not-on-contract items.
c) Monthly reports listing the purchases of controlled substances and the associated invoice and/or purchase order numbers along with MMCAP Facility name and ID number, NDC number, invoice number, invoice line number, label name, date shipped, amount paid, date payment credited, and DEA number.
d) Velocity report (fastest moving and high dollar) containing forecasted velocity codes with order points and order quantities.

These reports can be created on-site with user-friendly applications. Usage information at the invoice detail level is easily reviewed using InterLinx reporting. Account Review provides account summary, invoice summary and payment summary that can be viewed on-line, printed or downloaded.
Another option would be to have customized reports designed to meet the customer's unique specifications. These reports would be delivered electronically monthly, quarterly and annually in the requested format.

e) Price change report (twice a month), indicating MMCAP-contracted and not-on-contract items with price changes.

Price change reports can be generated in a variety of custom formats. These can be sent electronically via email or FTP.

d) Physical inventory reports sorted by AHFS pharmaceutical category and/or alpha generic order. These reports must show the label name, NDC, quantity, cost per unit and the extended cost of the product units on hand. These reports must be provided within three days of input. The Vendor must also provide extra electronic ordering devices (Telxon, MSI, or equivalent) to the MMCAP Facility upon request for use during the inventory process. Discuss how often these will take place, but annually at a minimum.

Physical Inventory module provides an automated, easy-to-use alternative to the customer's current inventory management process. This system enables the member to create, review and modify inventory files. The inventory file can include any Vendor item and can also be modified to include non-Vendor items, such as direct shipment items. This feature conveniently provides the customer's pharmacy with a complete and accurate inventory listing with current pricing and information.

For added ease, use hand-held devices to electronically upload item quantities by department or by location using easy-to-scan bar codes. Vendor can even provide bar code labels for "non-Vendor" items. If necessary, the system can also print count sheets, used to manually enter item quantities to update the inventory file.

Inventory reports can also be generated by the Physical Inventory system. The reports are available in several sequences to assist in the management of pharmacy inventory.

e) Drug usage (amount paid and units) by American Hospital Formulary Service (AHFS) category. Units must correspond to the packaging associated with the NDC.

Drug usage reports by AHFS class are available via InterLinx while payment information is available via Account Review. A customized report combining this information will be available.

f) Daily report of all non-serviced items, delivered or transmitted to the MMCAP Facility the same day it is generated by the same method that the original order was transmitted.

A Daily exception report is available and includes the following data:

- Customer Name
- Vendor Customer Account Number
- Customer Location
- Customer PO Number
- Order Date
- Vendor Item Number
- Item Description
- Supplier Name
- Item Type Code
- Invoice Unit Price
- Invoice Extended Price
- Quantity Ordered
- Quantity Filled
- Quantity Not Filled
- Item Status

g) Monthly list of discontinued items and new items.

Vendor will provide this report electronically to MMCAP.

h) Quarterly low and non-movement report listing MMCAP-contracted products with low or no usage during the previous quarter. These products would be subject to removal from the Vendor's inventory unless the MMCAP Facility notifies the Vendor of its intention to order the product within the next quarter.

Vendor can generate a "slow moving" item report as it relates to MMCAP contracted items.

i) Vendor will submit any reports necessary as required by law.

The reports must be available in both hard copy and electronic formats. The Vendor may be charged liquidated damages for inaccurate reports that must be adjusted by MMCAP to ensure accuracy.

All reports produced by Vendor are available in both hard copy and electronic formats. The reports can be delivered via email or FTP.

All reports produced by Vendor will be provided at no charge to MMCAP or the MMCAP facility.

3. Vendor must have a replacement system in place within 24 hours, in the event an MMCAP Facility's electronic ordering system becomes non-functional. In the interim period the Vendor must assure that the MMCAP Facility is able to order and receive necessary products via an alternative ordering method (phone, fax, etc.). Vendor may be charged liquidated damages for not complying with this requirement.

4. Vendor will provide, at no cost to MMCAP State Contacts in each state served by the Vendor, a monthly report listing:

- MMCAP Facility name

- Agency account numbers (MMCAP Facility ID Number and Vendor account number)
- Contract paid amount by facility
- Not-on-contract paid amount by facility
- Total paid amounts by facility
- Number of line items shipped to the facility

5. Vendor will supply to the MMCAP Office biweekly a listing of all MMCAP-contracted products backordered due to the manufacturer's inability to supply the product. The reports must be available in Microsoft Excel.

2. H. Administration Fee

Vendor will receive, at no additional cost to MMCAP or its MMCAP Facilities, the excess administrative service fee, charged by MMCAP to its contracted vendors and refund it to MMCAP Facilities as directed by MMCAP as a Vendor credit. This drug purchase credit will equal the dollar amount remitted to the Vendor by the MMCAP Office. The MMCAP Office will provide to the Vendor a list of MMCAP Facilities receiving a credit, the credit amount for each facility, and a check for the total amount of all credits to be provided. The Vendor must apply the credit to all listed MMCAP Facilities within 15 business days of the receipt of the funds. Within 30 business days of the receipt of the funds, the Vendor must provide to the MMCAP Office a listing of the invoice number or credit memo number for each MMCAP Facility on which the drug purchase credit was applied.

2. I. Value Added Services

The following are a list of value added services or products offered to MMCAP or its Member Facilities.

There is no additional charge for any of these value-added services listed with exception to iScan, the bar-code reading hand-held unit that utilizes Radio-Frequency for ordering and product receiving (described in more detail below). Those facilities electing to utilize iScan will be assessed a one time charge of $1,500. Each piece of software or hardware is subject to the licensing and warranty language found at the end of this section.

ECHO for Windows

ECHO for Windows, Vendor's order entry software, is an advanced order management system designed to lower administrative and physical operation costs, while maximizing inventory turns and product availability. *ECHO for Windows* offers complete order information, daily updated prices, contract designation and price, and on-screen contract compliance analysis. *ECHO for Windows* supports multiple customers and multiple classes of trade on one system, while linking information to multiple ordering sites. Users have access to essential product information, such as;

- Product description and classification
- Pricing information including acquisition cost, AWP, per dose price and MSRP
- Contract designation and price
- Economic Order Quantity based on advanced calculations of established customer ordering patterns
- User-defined item flags and department codes.
- Generic and therapeutic equivalency ratings
- Formulary Flagging
- Hazardous and special handling alerts
- Last order information, including quantity, price, invoice, availability and purchase history.

iECHO

IECHO, in addition to providing the features of Echo for Windows, offers instant access to on-hand quantities, via the Internet, at the servicing distribution center.

IScan Suite for Ordering and Receiving

Those facilities electing to utilize iScan will be assessed a one time charge of $1,500.

iScan is the handheld device (Palm by Symbol) that streamlines the entire procurement process with state-of-the-art, bar code or radio frequency (RF) technology. *iScan…*

- Saves time and reduces errors by eliminating manual tasks like typing or writing lists of product numbers.
- Enables precise ordering and receiving on a single device that works as a closed-loop system.
- Portable and easy to use, with automatic capabilities built in.
- Directly connects to AmerisourceBergen's inventory of more than 75,000 SKUs.
- Provides accuracy approaching 100% and timesavings up to 40%.
- Automatically loads program updates via the Internet so there's no need to load software.

With *iScan Ordering*, misreading an NDC or product number is no longer a problem. Simply scan the bar code on the desired product and enter the quantity. Place orders fast by syncing the scanner device to any of Vendor's on-line or PC-based ordering systems. Or, transmit directly to the AmerisourceBergen Distribution Center.

With *iScan Receiving*, you can dramatically reduce the customer's receiving costs and time, particularly for high volume pharmacies.

- Eliminate the hours spent paging through invoices to check off items received in an order.
- Calculate exactly what is contained in the tote by scanning all items individually or by scanning and entering a quantity.
- Know precisely what was picked, packed and shipped for quick comparison with the invoice.

AIM (AmerisourceBergen Inventory Management) Module of Echo

AmerisourceBergen offers many different solutions, from simple to advanced, to help you lower the customer's costs through improved inventory management.

AIM (AmerisourceBergen Inventory Management), a software module of *ECHO*, enables pharmacy managers to easily monitor buying patterns, maintain appropriate inventory levels, and increase productivity of inventory control staff members. *AIM* provides access to the following:

- The economic order quantity (EOQ) which represents the optimum order amount for an item based on the forecasted usage, carrying cost percent, order line cost and unit cost.
- The reorder point, which is the on-hand amount when an order needs to be placed. The reorder point is calculated based on the safety stock and the lead-time.
- Inventory turns
- Weighted average
- Mean average deviation percentage
- Trend factor

Invoice Verification Module

The *Invoice Verification Module*, part of Vendor's *ECHO* Order Entry and Inventory Management System, compares each item purchased to the MMCAP contract file and produces a variance report. The buyer can review the report and request contract research on any item whose price differs from the MMCAP price file. This system catches pricing problems immediately.

Contract Management Tools

Contract Management Tools, an Internet-based application, is designed specifically to help manage and meet the customer's contract needs. *Contract Management Tools* accesses critical information such as:

- Supplier exclusion data: Identifies reasons for exclusions, allowing you to promptly target the problem and complete the necessary paperwork with the supplier.
- Contract item pricing: Quickly provides accurate pricing via individual items for multiple facilities.
- Multi-account comparison: Allows you to compare all contracts loaded at the customer's different facilities, decreasing time-consuming research for contract differences between facilities.
- Up to 6 months of contract change price history: Displays a complete contract history by item and supplier.

Market Share Reports

An Internet-based reporting system, *Market Share Report*, provides customers their market share (relative percentage utilization) for each drug within a market basket or therapeutic class.

Market Share Report:

- Offers ability to project different market share scenarios to estimate potential savings with new or future contracts.
- Measures progress in achieving therapeutic work plan objectives.
- Verifies manufacturer-claimed performance against actual performance.
- Generates reports in minutes.

License. Vendor grants each MMCAP Facility a non-exclusive, nontransferable and revocable license to use software and related documentation Vendor provides for use in connection with this contract not subject to a separate license ("Software"). MMCAP Facility may not make, or allow others to make, copies except one backup copy. MMCAP Facility must include all proprietary notices in permitted copies. MMCAP Facility may not modify Software or create derivative works and may not translate, reverse engineer, disassemble or decompile Software.

Limited Warranty. Vendor warrants that within 90 days of the installation of the software: (i) Software will perform substantially in accordance with its documentation if operated as directed and (ii) hardware provided by Vendor and diskettes, CD-ROMs or other media on which the Software is provided will be free from defects under normal use. VENDOR DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THOSE OF MERCHANTABILITY, NON-INFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE, FOR HARDWARE AND SOFTWARE. No oral or written information provided by Vendor, its employees or other representatives will create any warranty.

Remedy. Vendor's liability and MMCAP and each MMCAP Facility's exclusive remedy for breach of these software warranties will be, at Vendor's option, to (i) repair or replace Software or hardware so it performs substantially in accordance with its documentation; (ii) advise MMCAP Facility how to achieve substantially the same functionality using different procedures, or (iii) replace defective media returned within 90 days of installation. Such replacement will not extend such 90-day period.

2. J. Fees

Fees charged in association with this contract may be found in Attachment A, which is attached and incorporated in to this contract.

Vendor invoices will be received with each shipment. These invoices need to be forwarded to appropriate accounts payable department. Payments are applied to account the day of receipt. Credits due account are normally processed in 5 to 7 working days and will appear on the accounts statement the following day.

Credit Applications. There must be a credit application for each MMCAP Facility executed by an entity or person authorized to bind the MMCAP Facility.

3 Authorized Representatives. MMCAP's Authorized Representative is the Assistant Division Director, Materials Management Division, Department of Administration, 50 Sherburne Avenue, St. Paul, MN 55155 (MMCAP Manager).

The Vendor's Authorized Representative is Kyle Mead, VP National Accounts, AmerisourceBergen, 1300 Morris Drive, Chesterbrook, PA 19087-5594.

4 Assignment, Amendments, Waiver, and Contract Complete
4.1 ***Assignment.*** Neither the Vendor nor MMCAP may assign or transfer any rights or obligations under this contract without the prior consent of the parties and a fully executed Assignment Agreement.
4.2 ***Amendments.*** Any amendment to this contract must be in writing and will not be effective until it has been executed and approved by the same parties who executed and approved the original contract, or their successors in office. A sample amendment is attached and incorporated into this contract.

Member states may prepare a Participating Addendum to this contract, if required. A Participating Addendum is an instrument that may be used in limited circumstances where the standard MMCAP contract terms and conditions do not include provision(s) required by the laws of the member state or when the standard MMCAP contract terms and conditions conflict with the laws of the member state. If these circumstances exist, a member state may prepare a Participating Addendum to set forth additional or altered terms and conditions agreeable to the member state, the Vendor, and MMCAP. The Participating Addendum applies only to the relationship between the state initiating the addendum and the Vendor. The Participating Addendum does not affect the rights of the other states or the obligation of the Vendor to the other states. The member state is responsible for creating and negotiating any Participating Addendum and must notify the MMCAP Authorized Representative and provide a copy of the Participating Addendum for approval prior to its execution.

4.3 ***Waiver.*** If either party fails to enforce any provision of this contract, that failure does not waive the provision or its right to enforce it.

4.4 ***Contract Complete.*** This contract contains all negotiations and agreements between MMCAP and the Vendor. No other understanding regarding this contract, whether written or oral, may be used to bind either party.

5 Liability. The Vendor must indemnify, save, and hold MMCAP, its agents, and employees harmless from any claims or causes of action, including attorneys' fees incurred by MMCAP, arising out of the performance of this contract by the Vendor or the Vendor's agents or employees; or injury or death to person(s) or property, alleged to have been caused Vendor's acts or omissions under this contract. This clause will not be construed to bar any legal remedies the Vendor may have for MMCAP's failure to fulfill its obligations under this contract.

MMCAP acknowledges that Vendor is not the manufacturer of any Products and Vendor disclaims all warranties, express or implied, including those of non-infringement and fitness for a particular purpose, for products and services. No oral or written information provided by Vendor or its employees or other representatives will create any such warranty. In no event will Vendor be liable for any special, incidental or consequential damages in connection with products or services under this Agreement. Vendor agrees to assign to MMCAP to the extent it may do so by law and/or contract, its rights in any warranties Vendor has received from manufacturers of products sold under this Agreement.

6 State Audits. Minn. Stat. ' 16C.05, subd. 5, requires that the books, records, documents, and accounting procedures and practices of the vendor relevant to this contract are subject to examination by MMCAP and either the State Auditor or Legislative Auditor, as appropriate, for a minimum of six years from the end of this contract.

7 Government Data Practices
The Vendor and MMCAP must comply with the Minnesota Government Data Practices Act, Minn. Stat. Ch. 13, as it applies to all data provided by MMCAP under this contract, and as it applies to all data created, collected,

received, stored, used, maintained, or disseminated by the Vendor under this contract. The civil remedies of Minn. Stat. ' 13.08 apply to the release of the data referred to in this clause by either the Vendor or MMCAP.

If the Vendor receives a request to release the data referred to in this clause, the Vendor must immediately notify MMCAP. MMCAP will give the Vendor instructions concerning the release of the data to the requesting party before the data is released.

8 Publicity and Endorsement

8.1 *Publicity.* Any publicity regarding the subject matter of this contract must not be released without prior written approval from the Authorized Representatives. For purposes of this provision, publicity includes notices, informational pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for the Vendor individually or jointly with others, or any subcontractors, with respect to the program, publications, or services provided resulting from this contract.

8.2 *Endorsement.* The Vendor must not claim that MMCAP endorses its products or services.

9 Governing Law, Jurisdiction, and Venue. Minnesota law, without regard to its choice-of-law provisions, governs this contract. Venue for all legal proceedings out of this contract, or its breach, must be in the appropriate state or federal court with competent jurisdiction in Ramsey County, Minnesota. Except to the extent that the provisions of this Agreement are clearly inconsistent therewith, this contract will be governed by the Uniform Commercial Code (UCC) as adopted by the State of Minnesota. To the extent this contract entails delivery or performance of services, such services will be deemed "goods" within the meaning of the UCC except when to do so is unreasonable.

10 Antitrust. The Vendor hereby assigns to the State of Minnesota any and all claims for overcharges as to goods and/or services provided in connection with this agreement resulting from antitrust violations that arise under the antitrust laws of the United States and the antitrust laws of the State of Minnesota.

11 Force Majeure. Neither party to this contract will be held responsible for delay or default caused by fire, riot, acts of God and/or war that are beyond that party=s reasonable control.

12 Severability. If any provision of the resulting Contract, including items incorporated by reference, is found to be illegal, unenforceable or void, then both MMCAP and the Vendor will be relieved of all obligations arising under such provisions; if the remainder of the resulting contract is capable of performance it will not be affected by such declaration or finding and must be fully performed.

13 Default and Liquidated Damages

13. 1 ***Default*** Either of the following constitutes cause to declare the contract or any order under this contract in default:

(a) Nonperformance of contractual requirements; or
(b) A material breach of any term or condition of this contract.

Written notice of default, and a reasonable opportunity to cure, must be issued by the party claiming default. Time allowed for cure will not diminish or eliminate any liability for liquidated or other damages.

If the default remains after the opportunity for cure, the nondefaulting party may:

(a) Exercise any remedy provided by law or equity;
(b) Terminate the contract or any portion thereof, including any orders issued against the contract; or
(c) Impose liquidated damages, as specified below.

13.2 ***Liquidated Damages***
As it would be practically impossible to fix the actual damages caused by the Vendor in submitting faulty or inaccurate data required in this contract, the Vendor must pay as liquidated damages to MMCAP, a sum of $65.00 per hour for the amount of time it takes MMCAP to correct the faulty or inaccurate data.

If the Vendor fails to comply with this contract, liquidated damages will be applied to each default.

The purpose of this liquidated damages provision is to ensure adherence to the performance requirements in the contract and to compensate the state for actual costs associated with performing or correcting items not performed or corrected by the Vendor. No punitive intention is inherent. MMCAP and the Vendor agree that in the event of failure to meet the performance requirements in the contract, damages will be sustained by MMCAP and that it is and will be impractical and extremely difficult to ascertain and determine the actual damages which MMCAP will sustain in the event of and by reason of such failure. The act of MMCAP canceling the contract for any such failure or delay will not forfeit its right to recover liquidated damages payments from the Vendor.

In any suit involving assessment or recovery of a liquidated damages payment, the reasonableness of the charges will be presumed and the amount assessed, as well as any cancellation rights stated in the contract documents, will be in addition to every other right or remedy now or hereinafter available at law, in equity, by statute, or under the contract.

The Vendor will not be charged with liquidated damages payments when any delay or failure is due to: any act or neglect of MMCAP; written and mutually agreed to changes in contract or force majeure circumstances beyond Vendor's control as defined in Section 11.

14 Insurance Requirements. The Vendor will provide a certificate of insurance for each type of insurance immediately upon execution of this contract. Each policy must contain a 30-day notice of cancellation, nonrenewal, or material change to all named and additional insureds.

14.1 The Vendor must maintain and furnish satisfactory evidence of the following insurance policies:

Commercial General Liability: The Vendor will be required to maintain through the term of this contract insurance protecting it from claims for damages for personal injury, bodily injury, including sickness or disease, death, and for care and loss of services as well as from claims for property damage including loss of use which may arise from operations under the Contract whether the operations are by the Vendor or by a subcontractor or by anyone directly or indirectly employed under the contract. Insurance minimum amounts will be as follows:

$10,000,000.00 - per occurrence $10,000,000.00 - annual aggregate

In addition, the following coverages should be included:

Personal Injury	Bodily Injury and Property Damage
Products and Completed Operations Liability	Blanket Contractual Liability
Name MMCAP as an Additional Insured	

14.2 The Vendor will be required to:
A. Include legal defense fees in addition to its liability policy limits; and
B. Obtain insurance policies from an insurance company having an "AM BEST" rating of A-VIII or better.

14.3 MMCAP will reserve the right to immediately terminate the contract if the Vendor is not in compliance with the insurance requirements and retains all rights to pursue any legal remedies against the Vendor. All insurance policies must be open to inspection by MMCAP, and copies of policies must be submitted to MMCAP=s Authorized Representative upon written request.

15 Data Disclosure. In the event MMCAP obtains the Vendor=s Federal Tax Identification Number, the Vendor consents to disclosure of its federal employer tax identification number to federal and State of Minnesota agencies and personnel involved in the payment of State of Minnesota obligations. These identification numbers may be used in the enforcement of federal and State of Minnesota laws that could result in action requiring the Vendor to file state tax returns, pay delinquent state tax liabilities, if any, or pay other state liabilities.

16 Cancellation. MMCAP or the Vendor may cancel this contract at any time, with or without cause, upon 60 days= written notice to the other party. In the event of such a cancellation, the Vendor will be entitled to payment, determined in a pro rata basis, for work or services satisfactorily performed or products supplied through the contract cancellation date.

17 Nondiscrimination. The requirements of Minn. Stat. § 181.59, are incorporated into this contract.

18 Lack of Appropriation. Continuation of this contract beyond June 30 of any year is contingent upon continued legislative appropriation of funds. If these funds are not appropriated, MMCAP may notify Vendor in writing and the contract will terminate on June 30 of the applicable year. The Vendor may not be assessed any penalty for termination because of lack of appropriation.

19 No Warranties. MMCAP acknowledges that Vendor is not the manufacturer of any products and Vendor DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THOSE OF NON-INFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE, FOR PRODUCTS AND SERVICES. No oral or written information provided by Vendor, its employees or other representatives will create any such warranty. In no event will Vendor be liable for any special, incidental or consequential damages in connection with Products, hardware, Software, including ordering software, or services.

20 Anti-Kickback Statute. MMCAP will comply with all laws, including reporting or reflecting administrative fees, and discounts, rebates and other price reductions pursuant to 42 U.S.C. 1320a-7b(b)(3)(A) on cost reports or claims submitted to federal or state healthcare programs, retaining invoices and related pricing documentation and making them available on request to healthcare program representatives.

21 Notice of Changes. MMCAP will promptly notify Vendor of changes in name or business form or any intent to close, move or modify its operations.

22 Billing Statements. Billing disputes must be brought to the attention of Vendor's accounts receivable department within 12 months after receipt of the first statement containing the amount in dispute or, otherwise, MMCAP or MMCAP Facility will be deemed to accept the accuracy of such statements and to waive its right to dispute the amount.

23 Late Payment. All payments must be received in Vendor's account during normal business hours on the date due. Drivers and other Vendor employees cannot accept cash. Price of goods reflects a prompt payment discount. If payment is not received by the due date, Vendor will invoice MMCAP Facility such unearned discount by recalculating Price of Goods based on Cost + 2% (or, if greater, 2% more than the invoiced Price of Goods) effective as of the due date. Thereafter, if payment is delinquent, Vendor may withhold any payments to MMCAP Facility and will assess a per-day late payment fee of the lower of 0.05% (18%/360) or the maximum rate permitted by law on the outstanding balance until paid, beginning on the first (1st) business day after such due date. Such rights are in addition to Vendor's other remedies and will not relieve any MMCAP Facility of its obligation to make prompt payment in accordance with this Agreement.

24 Extension of Credit. Payment terms are an extension of credit based upon an evaluation of MMCAP Facility's financial condition upon commencement of this Agreement as reflected in written information

from MMCAP Facility. MMCAP Facility will abide by Vendor's standard credit terms as amended from time to time by Vendor. MMCAP Facility will promptly notify Vendor in writing of any Claim that, with an unfavorable result, would have a material adverse effect on MMCAP Facility's financial condition or operation. Upon request, MMCAP Facility will furnish Vendor complete annual and quarterly financial statements and other evidence of its financial condition necessary to establish, in Vendor's opinion, MMCAP Facility's ability to perform its obligations. If Vendor reasonably believes MMCAP Facility's ability to make payments is impaired or its financial condition has materially deteriorated, Vendor may from time to time amend MMCAP Facility's payment terms and require posting of adequate security or such other documents as Vendor may require. Pending their receipt, Vendor may withhold delivery of goods and providing services; place MMCAP Facility on a C.O.D. basis if Vendor has not received payment when due after giving notice by 10:00 a.m. and giving MMCAP Facility until 2:00 p.m. the same day for Vendor to receive payment; and/or require MMCAP Facility to pay part or all of any past due amount as a condition to continued service.

AmerisourceBergen Drug Corporation

By: Kyle Mark

Title: VP, National Accounts

Date: November 18, 2003

By: Dan Glaser II

Title: Corporate VP, Health Systems

Date: November 19, 2003

MMCAP

By: Richard J Doering
(with delegated authority)

Title: AMS, Sr

Date: 11-24-03

Commissioner of Administration

By: Heather Fickett

Date: Nov. 24, 2003

Attachment A

MMCAP Pricing Matrix

Service Fee is based on the payment option selection by the facility and the total monthly purchasing volume of the State.

Total Monthly State Volume	Pre-Pay	7 Day Pay	15 Day Pay	30 Day Pay	45 Day Pay
$0 - $300,000	-1.18	-0.80	-0.60	-0.15	0.38
$300,001 to $500,000	-1.38	-1.00	-0.80	-0.35	0.18
$500,001 to $1,000,000	-1.58	-1.20	-1.00	-0.55	-0.02
$1,000,001 to $1,500,000	-1.78	-1.40	-1.20	-0.75	-0.22
$1,500,000 to $2,000,000	-2.03	-1.65	-1.45	-1.00	-0.47
$2,000,000 to $4,000,000	-2.33	-1.95	-1.75	-1.30	-0.77
$4,000,000 to $6,000,000	-2.58	-2.20	-2.00	-1.55	-1.02
$6,000,000 to $8,000,000	-2.78	-2.40	-2.20	-1.75	-1.22
$8,000,000 to $10,000,000	-2.98	-2.60	-2.40	-1.95	-1.42
$10,000,000 and Above	-3.18	-2.80	-2.60	-2.15	-1.62

Facilities utilizing Electronic Funds Transfer (EFT) for payment of invoices will receive an additional 0.05% discount in service fees.

MMCAP Volume Incentive

MMCAP Volume Incentive: MMCAP facilities will receive the following discounts in addition to any other discounts contemplated under this contract equal to the amounts shown below based upon the anticipated total annual Net Purchases volume of all MMCAP Facilities (Annual MMCAP Dollar Volume). "Net Purchases" means purchases less returns. Annual MMCAP Dollar Volume will be adjusted quarterly based on the annualization of the previous quarter's purchases. MMCAP Facilities will not receive retroactive credit for any discrepancies between the anticipated Total Annual MMCAP Dollar Volume and the actual Total Annual MMCAP Dollar Volume. Each MMCAP Facility must be compliant with payment terms for that MMCAP Facility to be eligible for any discount under this paragraph.

Total Annual MMCAP Dollar Volume	Additional Incentive
For purchases between $100 - $150 Million	0.10
For purchases between $150 - $250 Million	0.15
For purchases between $250 - $500 Million	0.20
For purchases between $500 - $750 Million	0.25
For purchases Over $750 Million	0.30

In the event an individual MMCAP Entity or Facility institutes a law or policy requiring rebates or administrative fees, the distributor may deduct the amount of the rebate or administrative fee from the above contract pricing and work directly with the individual MMCAP Entity or Facility with regard to the rebate or administrative fee.

PAYMENT TERMS:

30 Day Prepay - Requires a one-time advance payment equal to the amount of one month's average purchases of pharmaceutical products at the applicable MMCAP Facility. (For each MMCAP Facility selecting this option, Vendor and the MMCAP Facility will mutually agree in good faith on the amount of one month's average purchases, based upon the MMCAP Facility's recent purchase history.) Payment must be received by Vendor from the MMCAP Facility prior to day one of the month in which the prepayment terms are to be put into effect for that MMCAP Facility. The prepayment amount will be held as a non-interest bearing deposit. Payments of invoices are to follow the *15 Day Pay* definition described below. The status of the pre-pay amount will be reconciled every calendar quarter following which Vendor will issue a separate invoice to each MMCAP Facility with, as appropriate, a credit or charge. A final reconciliation for each MMCAP Facility will be performed at the conclusion of the Agreement, following which Vendor will issue each MMCAP Facility a final invoice with, as appropriate, a return of all or a part of the deposit or a charge for the amount owed.

7 Day Pay - Requires payment on Wednesday for products shipped Saturday thru Friday of the previous week the invoices for which will be sent with each delivery.

15 Day Pay - To be defined as follows:
Invoices dated the 1st through the 15th are due by the 25th of the same month.
Invoices dated the 16th through the last day of each calendar month are due by the 10th of the following calendar month.

30 Day Pay - To be defined as follows:
Invoices dated the 1st through the last day of each calendar month are due by the 10th of the following calendar month.

45 Day Pay – To be defined as follows:
Requires payment of invoices by the 10th calendar day following the end of each 45-day period.

Any invoice not paid by its due date will be subject to a 1.5% service fee for each month or partial month that the invoice remains outstanding.

If any MMCAP Facility fails to comply with the agreed upon payment terms, Vendor will have the right to change the Cost minus to which that MMCAP Facility is entitled prospectively, to reflect that MMCAP Facility's actual payment practices. A MMCAP Facility shall be deemed to have failed to comply with the payment terms if it does not make timely payment for a period lasting two cycles or, with respect to MMCAP Facilities selecting the 30 day pay or 45 day pay, for a period of sixty (60) days.

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Delivery Charges

All facilities will receive one free delivery per week.

Detail additional delivery charges:

- Any single delivery location purchasing greater than $15,000 per month will be eligible to receive 5 deliveries per week.
- Any single delivery location purchasing between $10,001 and $14,999 per month will be eligible for two deliveries per week.
- Any single delivery location purchasing between $1 and $10,000 per month will be eligible for one delivery per week.
- Any delivery location needing additional deliveries will be at $20.00 per delivery. If the invoice amount is over $750.00, there will be no additional delivery charge.

ECHO and Hardware Charges

- Every MMCAP ordering location will have access to either the Windows based ECHO program or the Internet based iECHO program free of charge for the duration of the agreement.
- Every MMCAP ordering location will have access to a Telxon order entry unit free of charge for the duration of the agreement.
- Any MMCAP ordering location purchasing over $25,000 per month will be eligible for PC Hardware at no additional charge. The minimum specifications are as follows:

  Pentium IV (2.0 GHz)
  40-Gigabyte Hard Drive
  256 Megs RAM
  17 inch VGA Color Monitor
  56k Baud Modem
  CD-ROM – 48x
- Any MMCAP ordering location purchasing less than $25,000 per month will be eligible for PC Hardware at a rental cost of $50.00 per month.
- Those facilities electing to utilize Radio Frequency iScan will be assessed a one-time charge of $1,500.

Vendor retains title to all ordering and reporting hardware and software and each MMCAP Facility must return them upon termination of this Agreement.

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STATE OF MINNESOTA
DEPARTMENT OF ADMINISTRATION/MMCAP CONTRACT

AMENDMENT 1

This amendment is between the State of Minnesota, acting through its Commissioner of Administration, on behalf of the Minnesota Multistate Contracting Alliance for Pharmacy ("MMCAP") and AmerisourceBergen Drug Corporation, 1300 Morris Drive, Chesterbrook, PA 19087 ("Vendor").

MMCAP has a contract with the Vendor identified as MMS24000 ("Original Contract"). This contract is being amended to include an additional state in the Vendor's service area. MMCAP and the Vendor are willing to amend the Original Contract as stated below.

Article 2.C. Delivery, 12, is amended to include the State of Indiana.

Except as amended, the terms and conditions of the Original Contract and any previous amendments remain in full force and effect.

AmerisourceBergen Drug Corporation

By: _____

Title: VP, National Accounts

Date: December 15, 2003

By: _____

Title: _____

Date: _____

MMCAP

By: _____
(with delegated authority)

Title: AMS

Date: 12-16-2003

Commissioner of Administration

By: _____

Date: Dec. 16, 2003