



**340B PRIME VENDOR PROGRAM  
PARTICIPANT AGREEMENT**

This 340B Prime Vendor Program Participant Agreement (the "Agreement") is effective April 28, 2015 (the "Effective Date") between the County of Monterey on behalf of the Monterey County Health Department located at 1270 Natividad Road, Salinas, CA 93906 (HRSA TB939069) ("you", "your" or "Customer") and Cardinal Health 110, LLC and Cardinal Health 411, Inc., 7000 Cardinal Place, Dublin Ohio 43017 (collectively, "we", "us" or "our" or "Cardinal Health"), who agree as follows:

**1. Purchase Requirement, Usage and Prices.** You will designate us as your primary wholesale pharmaceutical supplier to all the pharmacies, hospitals, nursing homes, clinics and/or other facilities you own, manage or operate during the term of this Agreement (collectively, the "Facilities" and individually, a "Facility") and you will buy all of the pharmaceuticals (the "Rx Products") required for each Facility (the "Primary Requirements") from us if we carry them. A current list of the Facilities is attached as Schedule A. Additional facilities may be added to Schedule A from time to time subject to our advance approval. In addition, you may, at your option, purchase certain other inventory we carry (the "~~Non-Rx Products~~"=~~Rx Products and Non-Rx Products are collectively referred to as the "Pharmaceutical Products"~~). All purchases of Pharmaceutical Products by you from us will be pursuant to the terms and conditions of this Agreement and the additional terms and conditions set forth in the 340B Prime Vendor Pharmacy Distribution Agreement between Apexus, Inc. and Cardinal Health, the terms of which are incorporated herein by this reference.

Purchase prices for all Pharmaceutical Products bought under this Agreement will be as set forth on the pricing matrix attached as Schedule B (the "340B PVP Pricing Matrix").

**2. Ordering, Delivery and Returns.** To qualify for the pricing set forth in the Pricing Matrix, you must electronically transmit all orders (excluding Schedule II and emergency orders) to us via cardinal.com or such other electronic order entry system as we may approve from time to time. We will provide you with access to cardinal.com at no additional charge; provided, however, you must supply all hardware required to access cardinal.com, all required Internet access and any required interfaces or other network enhancements, all at your own expense. You may not use cardinal.com or any other electronic order entry system for any purpose unrelated to this Agreement. If electronic order entry is temporarily interrupted for reasons beyond your or our control, you may place orders manually and both parties will use reasonable efforts to fix the problem. All orders for Schedule II controlled substances must be submitted to us on DEA Form 222. DEA Form 222 may be mailed to the applicable Cardinal Health distribution center or given to the delivery driver. Schedule II orders will be delivered with your next scheduled delivery after our receipt of the signed original DEA Form 222. You acknowledge that if you give the DEA Form 222s to the delivery driver, such forms will not be "received" by us until the delivery driver physically delivers the DEA Form 222 to the applicable Cardinal Health distribution center. Regardless of any other terms of this Agreement, no Schedule II orders will be delivered other than in compliance with DEA regulations.

We will deliver the Pharmaceutical Products F.O.B. to the Facilities in accordance with our general delivery schedules established from time to time by the applicable Cardinal Health servicing division (exclusive of holidays, etc.). We will provide a 24-hour, 7-day per week emergency delivery service. We will prepay the courier and related service charges for such orders and bill them separately to you. Our obligations under this Agreement will be excused if and to the extent that any delay or failure to perform such obligations is due to product or material shortages or other causes beyond our reasonable control. You may purchase the Primary Requirements from others only during the period of any such delay or failure.

**3. Warranty.** We warrant to you that any product we manufacture (the term "manufacture", for purposes of this warranty, does not include product repackaging) is, as of the date of shipment, fit for the purposes and indications described in the product labeling. Unless the product is used in accordance with its instructions, these warranties are void and of no effect. Other products we distribute carry only those warranties made for them by their manufacturer. **THERE ARE NO OTHER EXPRESSED OR IMPLIED WARRANTIES, INCLUDING ANY WARRANTY OF MERCHANTABILITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE. OUR SOLE OBLIGATION AND YOUR EXCLUSIVE REMEDY FOR BREACH OF ANY WARRANTY WILL BE, AT OUR OPTION, TO REPAIR OR REPLACE THE PRODUCT.**

**4. Limitation of Liability.** WE WILL NOT BE LIABLE FOR INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES.

**5. Payment Terms.** Your initial payment terms and payment term options will be as set forth on Schedule B to this Agreement. If amounts due are not paid by you to us pursuant to the maximum payment term set forth on Schedule B, we reserve the right to add two point five basis points (0.025%) per each weighted average payment day beyond such maximum payment term to the applicable Participant Markup (for example, if you pay in 70 days (10 days beyond the maximum payment term of 60 Day Pay (60 DSO)), your applicable Participant Markup going forward will be adjusted by +0.25%). Until Pharmaceutical Products is paid for in full, you grant us and we retain a security interest in the Pharmaceutical Products. We will have a security interest in any deposit(s) to secure payment to us (or our affiliates) of all of your obligations, existing and future. If you default on any payment, we may exercise a right of setoff against any deposit we hold or any amounts we (or our affiliates) owe you.

**6. Confidentiality.** Except as may otherwise be required by applicable law, neither party may disclose the terms and conditions of this Agreement to a third party without advance written consent of the other party, except as required by law or as necessary to perform its obligations under this Agreement.

**7. Term and Termination.** The term of this Agreement will begin on the Effective Date and continues until August 31, 2018. Either you or we may terminate this Agreement without cause upon no less than 90 days' advance written notice.

**8. Miscellaneous.** You and we will comply with all federal and state laws, rules and regulations applicable to our respective obligations under this Agreement. You represent, warrant and certify that you have all required governmental licenses, permits and approvals required to purchase, use and/or store the products you buy from us and that all your purchases from us are for your "own use" in the Facilities, as such term is defined in judicial or legislative interpretation, and not for resale to anyone other than the end user. We may terminate this Agreement immediately if we reasonably determine that you or any Facility have breached this "own use" limitation. If you receive any "discounts or other reductions in price" under Section 1128B(b)(3)(a) of the Social Security Act (42 U.S.C. 1320- 7b(b)(3)(a)) from us, you must disclose the discounts or reductions in price under any state or federal program which provides cost or charge-based reimbursement to you for the products or services you buy from us, or as otherwise requested or required by any governmental agency. You must complete the Compliance Representations and Warranties for Customers attached hereto as **Schedule C** and return it to the address indicated therein prior to purchasing any Pharmaceutical Products under this Agreement. This is the entire agreement between the parties with respect to the subject matter of this Agreement. This Agreement may not be amended except in a writing signed by both parties. Enforceable obligations may be created by the communication of electronic messages in compliance with this Agreement, even in the absence of any writings or written signatures, but no such messaging may change, add to or delete any terms and/or conditions of this Agreement. Failure to enforce any provision of this Agreement will not be considered a waiver of any right to enforce such provision. Neither party may assign its rights or obligations under this Agreement without the written consent of the other; provided, however, that we may delegate our rights and obligations to any entity that is controlled by or under common control with Cardinal Health, Inc. This Agreement does not create any employment, agency, franchise, joint venture, partnership or other similar legal relationship between the parties. You represent and warrant that you have the authority to contractually bind the Facilities to the terms and conditions of this Agreement.

County of Monterey on behalf of  
the Monterey County Health Department

Cardinal Health 110, LLC  
Cardinal Health 411, Inc.

By \_\_\_\_\_

By \_\_\_\_\_

Title Mike Derr, Contracts/Purchasing Officer

Title \_\_\_\_\_

Approved as to Legal Form:

By: \_\_\_\_\_

County Counsel

Date: 4/22/15

Approved as to Fiscal Provisions:

By: \_\_\_\_\_

Auditor-Controller

Date: 4-21-15

SCHEDULE A

Facilities

Monterey County Health Department  
1270 Natividad Road  
Salinas, CA 93906

**Schedule B**

**340B PVP Pricing Matrix and Payment Terms**

**Pricing**

The pricing specified in the Pricing Matrixes is net of group purchasing organization administrative fees. If the applicable administrative fee is increased or if you or any Facility affiliates with a different group purchasing organization, we reserve the right to adjust the Pricing Matrix accordingly

**Participants with Qualified Monthly Purchases of Greater than \$300,000:**

Qualified Monthly Purchases	45 Day Prepay -45 DSO	30 Day Prepay -15 DSO	15 Day Prepay 0 DSO	Next Day (EFT) 1 DSO	7 Day Prepay 8 DSO	7 Day Pay 9.5 DSO	15 Day Pay 15 DSO	30 Day Pay 30 DSO	45 Day Pay 45 DSO	60 Day Pay 60 DSO
\$300,000 - \$400,000	-1.75%	-1.35%	-1.15%	-1.05%	-0.95%	-0.86%	-0.67%	-0.29%	+0.51%	+1.38%
\$400,000 - \$500,000	-2.05%	-1.65%	-1.45%	-1.35%	-1.25%	-1.16%	-0.97%	-0.59%	+0.21%	+1.08%
\$500,000 - \$600,000	-2.15%	-1.75%	-1.55%	-1.45%	-1.35%	-1.26%	-1.07%	-0.69%	+0.11%	+0.98%
\$600,000 - \$750,000	-2.25%	-1.85%	-1.65%	-1.55%	-1.45%	-1.36%	-1.17%	-0.79%	+0.01%	+0.88%
\$750,000 - \$1,000,000	-2.55%	-2.15%	-1.95%	-1.85%	-1.75%	-1.66%	-1.47%	-1.09%	-0.21%	+0.58%
\$1,000,000 - \$1,250,000	-2.65%	-2.25%	-2.05%	-1.95%	-1.85%	-1.76%	-1.57%	-1.19%	-0.39%	+0.48%
\$1,250,000 - \$1,500,000	-2.70%	-2.30%	-2.10%	-2.00%	-1.90%	-1.81%	-1.62%	-1.23%	-0.44%	+0.43%
\$1,500,000 - \$1,750,000	-2.75%	-2.35%	-2.15%	-2.05%	-1.95%	-1.86%	-1.67%	-1.29%	-0.49%	+0.38%
\$1,750,000 - \$2,000,000	-2.80%	-2.40%	-2.20%	-2.10%	-2.00%	-1.91%	-1.72%	-1.34%	-0.54%	+0.33%
\$2,500,000 - \$3,000,000	-2.95%	-2.55%	-2.35%	-2.25%	-2.15%	-2.06%	-1.87%	-1.49%	-0.69%	+0.18%
\$3,000,000 - Above	To Be Negotiated									

**Participants with Qualified Monthly Purchases of Less than \$300,000:**

*One (1) Delivery Per Week:*

Qualified Monthly Purchases	45 Day Prepay	30 Day Prepay	15 Day Prepay	Next Day EFT	7 Day Prepay	7 Day Pay	15 Day Pay	30 Day Pay	45 Day Pay	60 Day Pay
	-45 DSO	-15 DSO	0 DSO	+1 DSO	+8 DSO	+9.5 DSO	+15 DSO	+30 DSO	+45 DSO	+60 DSO
\$0 - 300,000	-2.54%	-2.13%	-1.92%	-1.90%	-1.73%	-1.69%	-1.56%	-1.20%	-0.90%	-0.60%

*Five (5) Deliveries Per Week:*

Qualified Monthly Purchases	45 Day Prepay	30 Day Prepay	15 Day Prepay	Next Day EFT	7 Day Prepay	7 Day Pay	15 Day Pay	30 Day Pay	45 Day Pay	60 Day Pay
	-45 DSO	-15 DSO	0 DSO	+1 DSO	+8 DSO	+9.5 DSO	+15 DSO	+30 DSO	+45 DSO	+60 DSO
\$0 - 25,000	Not Available									
\$25,001 - 300,000	-1.51%	-1.10%	-0.90%	-0.88%	-0.71%	-0.69%	-0.56%	-0.20%	+0.16%	+0.52%

Additional deliveries will be available to Participants at a charge of Twenty-Five Dollars (\$25) per delivery or actual cost, whichever is higher.

The pricing applicable to Participants that select the One (1) Delivery Per Week pricing option and average more than one and one-half (1.5) deliveries per week in any month will be adjusted to the Five (5) Delivery Per Week option until such time the Participant's deliveries average (on a monthly basis) less than one and one-half (1.5) per week.

The distribution fees set forth above are inclusive of all discounts and incentives set forth in this Agreement (i.e., Delivery Incentive). Such distribution fees shall not be adjusted during the term of this Agreement, regardless of any change in any applicable discount or incentive.

Except as otherwise described in this Agreement, you will pay a purchase price for all Pharmaceutical Products bought under this Agreement equal to the manufacturer's published wholesale acquisition cost for Pharmaceutical Products at the time the Facility's order is submitted to us, adjusted to reflect any then-applicable contract pricing ("Cost") plus the percentage listed above (the "Participant Markup"), plus all applicable taxes or other assessments. For purposes of this Agreement, the term "Qualified Purchases" means all purchases you and/or the Facilities pay for under the terms of this Agreement, net of all returns, credits, rebates, late charges, or other similar items, on an annual, quarterly, or monthly basis, as applicable.

**Delivery Incentive**

We will provide the following Delivery Incentive Schedule to you. We will work with you to determine the appropriate slotting from the matrix below. The number of deliveries can be reviewed and adjusted quarterly or by mutual consent.

Qualified Monthly Purchases per Participant**	Deliveries per Week (Adjustment to cost plus matrices)				
	11*	6*	5*	3*	1*
Over \$1,000,001	Not Available	+0.50%	No Charge	Not Available	Not Available
\$500,001 - \$1,000,000	Not Available	+0.75%	No Charge	-0.15%	-0.20%
\$300,001 - \$500,000	Not Available	Not Available	No Charge	-0.10%	-0.20%
Less than \$300,000	Pricing for participants purchasing less than \$300,000 per month addressed previously				

\*Where currently available or by mutual agreement.

\*\*For purposes of this activity based cost incentive, your volume will be calculated on an individual account basis.

**Fuel Surcharge**

You will pay a fuel surcharge, on a per stop basis, for each delivery made to each Facility (the "Fuel Surcharge"). The Fuel Surcharge will be included on our invoice to you, in an amount as set forth below:

Regular Unleaded Fuel Price is:	Fuel
at Least                      But Less Than	Surcharge Amount
\$4.76                              \$5.00	\$3.25 per stop
\$4.51                              \$4.75	\$3.00 per stop
\$4.26                              \$4.50	\$2.75 per stop
\$4.01                              \$4.25	\$2.50 per stop
\$3.76                              \$4.00	\$2.25 per stop
\$3.51                              \$3.75	\$2.00 per stop
\$3.26                              \$3.50	\$1.75 per stop
\$3.01                              \$3.25	\$1.50 per stop

The fuel prices in the table above represent the national average retail cost per gallon for regular grade gasoline as published by the U.S. Department of Energy (the "Average Price Per Gallon"), available at: [http://www.eia.doe.gov/oil\\_gas/petroleum/data\\_publications/wrgp/mogas\\_home\\_page.html](http://www.eia.doe.gov/oil_gas/petroleum/data_publications/wrgp/mogas_home_page.html). In the event that the Average Price Per Gallon exceeds Five Dollars (\$5.00), the Fuel Surcharge will increase in Twenty-Five Cent (\$0.25) increments for each Twenty-Five Cent (\$0.25) increase in the Average Price Per Gallon. By the last day of each calendar month, we will determine the Average Price Per Gallon for that month, and any required adjustments to the Fuel Surcharge will be applicable as of the first (1<sup>st</sup>) day of the immediately following calendar month.

**Payment Terms**

Your initial payment terms will be: 30 Day Pay (+30 DSO – payment of each invoice is due in full within thirty (30) days of the invoice date) (COGS -1.20%) and one (1) delivery per week.

We retain the right to adjust your payment terms, place you on C.O.D. status, and/or refuse orders based on your payment performance, changes in your financial condition or other credit considerations we deem relevant. All payments for Pharmaceutical Products and services provided under this Agreement must be made to the applicable servicing division specified in our invoice (or as we otherwise specify) by electronic funds transfer or other method acceptable to us so as to provide us with good funds by the due date. Deductions for Pharmaceutical Products returns or shipping discrepancies (quantity and price) may not be taken until we issue a valid credit memo to you. You may from time to time (but not more often than once per calendar quarter) request that your payment terms be changed as to future Pharmaceutical Products purchases (among those choices specified in the Pricing Matrixes), subject to our advance written consent. In such event, you acknowledge and agree that your Participant Markup will be adjusted pursuant to the Pricing Matrix set forth above.

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**SCHEDULE C**

**Compliance Representations and Warranties for Customers**

County of Monterey on behalf of the Monterey County Health Department ("Customer") represents and warrants that it:

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

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

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

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

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

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

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

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

Signature: \_\_\_\_\_

Full Name (print): \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Please sign and return to: Cardinal Health; Attn: Anti-Diversion Group, Corporate QRA; 7000 Cardinal Place; Dublin, OH 43017 or Fax (614) 652-9631**

