

LEWIS DRUG

Corporate Office - 2701 S Minnesota Ave. Suite 1, Sioux Falls, SD 57105

SUPPLIER GUIDE

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INTRODUCTION

The Lewis Drug Supplier Guide has been designed to provide our Suppliers with a reference tool for fulfillment of Lewis Drug Purchase Orders along with our shipping requirements. All information contained herein is intended to be linked to our Purchase Order by reference bilaterally and intended to represent understanding between the Supplier "The Seller" and Lewis Drug "The Purchaser" regarding the terms and conditions of the agreement of sale on all Purchase Orders issued by Lewis Drug to the Supplier.

The purpose of this Guide is to establish a "statement of expectations" for the purchase of goods and related services, which is consistent with good business practices that supports a mutual understanding between our Suppliers and Lewis Drug and the benefits of which serve both the Supplier and Lewis Drug. Building good business relationships with our Suppliers is very important to us and we would like to align ourselves with Suppliers who are dedicated to improving supply chain efficiencies in an effort to best satisfy our customers. This Guide is only one means of outlining and ensuring program objectives are met.

The requirements contained herein are structured to provide supply chain discipline and efficiencies that support our business needs and those of our customers. It is our intention to avoid situations that disrupt the timely and efficient flow of product to our distribution center and stores and avoid un-necessary charge backs to our Suppliers. However, these guidelines are viewed as essential to our mutual success.

Thank you in advance for your compliance with these requirements. Should there be any questions related to any of these requirements, please feel free to contact our Corporate Office.

Category Managers (605) 367-2000

Please forward this Guide or Link (www.lewisdrug.com) to all persons within your organization that may be affected by these requirements.

Written or Fax communications may be forwarded to:

LEWIS DRUG, INC.

2701 S Minnesota Ave Suite 1
Sioux Falls, South Dakota 57105
Fax: (605) 367-2876

SUPPLIER "SHIP TO" LOCATION

Lewis Distribution Center
700 E 54th Street
Sioux Falls, SD 57104

Receiving Hours: Monday - Friday 6:00am to 3:00pm

Telephone: (605) 367-2891
Fax: (605) 367-2895

SUPPLIER "BILL TO" LOCATION

Lewis Drug Inc
2701 S Minnesota Ave Suite 1
Sioux Falls, SD 57105

Telephone: (605) 367-2000
Fax: (605) 367-2876

Invoices may be emailed to: Accounting@lewisdrug.com

PURCHASE ORDERS

All Purchase Orders are intended to be a binding "Agreement of Sale" between Lewis Drug Inc and our Suppliers. All conditions, terms and requirements contained herein are intended to be part of that Agreement of Sale and it is so noted by reference on all Purchase Orders issued by Lewis Drug. No terms, conditions or requirements may be altered by any Supplier "Post-Facto". Once a Purchase Order has been accepted, processed and delivered, no consideration will be given to requests that alter the original Purchase Order terms and exceptions relative to the sale.

Purchaser (Lewis Drug) and Supplier (Seller) expressly agree that all rights and duties under any Purchase Order and any Agreement of Sale arising there from shall be governed by and construed in accordance with the laws of the state of South Dakota without regard to its conflicts of law principles. Any dispute arising out of this Supplier Guide or any Agreement of Sale which cannot be resolved by agreement shall, whenever diversity or subject matter jurisdiction exists, be submitted to the United States District Court or state courts for Pierre, SD, U.S.A., and the parties submit to the personal jurisdiction of such courts. Purchaser and Supplier expressly agree that the United Nations Convention on Contracts for the International Sale of Goods is specifically excluded from application to any Purchase Order, any Agreement of Sale and/or this Supplier Guide, as the case may be. Purchaser and Supplier irrevocably submit, consent, and waive any objection to the jurisdiction of such courts on the basis of venue, inconvenient forum, or otherwise.

ELECTRONIC DATA INTERCHARGE (EDI)

EDI requirements are pending. Currently, Lewis Drug utilizes EDI with a selected group of Suppliers. Our intentions are to expand the use of EDI. Future updates will detail implementation strategy and transactional requirements.

"SHIP PAYMENT TERMS" DOMESTIC SHIPMENTS

Authorized "Ship Payment Terms" on Purchase Orders for product shipping "Collect" are considered "FOB Destination, Freight Collect". "Prepaid" terms are considered "FOB Destination, Freight Prepaid". Collect or Prepaid Shipments that ship with any variation other than those described will be considered "Errant Suppliers Shipments". Additionally, Lewis Drug Inc will not accept under any circumstances a Purchase Order shipped as "Prepaid and Add" ship payment terms. All Lewis Drug Purchase Orders will clearly indicate complete "Ship Payment Terms".

Any changes or variation in terms must be approved in writing and in advance of shipment by the Manager of Logistics and Supplier Compliance. There will be no "Post Facto" consideration given to matters relating to Purchase Order terms and conditions.

SHIPPING REQUIRMENTS DOMESTIC SHIPMENTS

APPOINTMENTS & CONFIRMATIONS

All collect and prepaid shipments must be appointed a minimum of 24 hours in advance of the requested appointment for Truckload (TL) and Less-Than-Truckload (LTL) shipments. **To schedule an appointment, call (605) 413-9764, (605) 367-2896 or (605) 367-2897.**

Unscheduled freight will not constitute a waiver of the appointment process if accepted by Lewis Drug without a duly scheduled appointment. Any add-on to a previously scheduled appointment without being scheduled will not be permitted and may be refused.

BILL OF LADING (BOL) REQUIREMENTS

All Bill of Ladings **MUST** contain the following information; Purchase Order Number, Complete Address of Origin and Zip Code, Number of Cartons/Cases, Accurate Weight, Number of Pallets, Cube and NMFC. Incomplete information or use of NOI where deemed inappropriate will be reviewed for compliance. Failure to properly document the Bill of Lading could result in the appropriate Supplier Charge Back. (See Non Compliance Charge Backs listed in Liquidated Damages)

PARCEL SHIPMENTS

Purchase Order Numbers **MUST** be printed on all shipment labels. United Parcel Service (UPS) and Fed Ex Shipments specifically must include the Purchase Order Number in one of the Package Reference Fields.

BACK ORDERS

All "Back Orders" **MUST** be approved before shipping any Purchase Order Incomplete. This authorization must be in writing from the issuing Purchasing Agent (Category Manager or Buyer) of Lewis Drug. Otherwise, ALL Purchase Orders are expected to be shipped complete.

ON-TIME SHIPMENTS

Suppliers should pay close attention to Purchase Order "Arrive By Date". Any shipment received on or before this date is considered "On-Time". Lewis Drug allows a five day "Cancellation Date" window before cancelling the order. Orders received after the "Arrive By Date" are considered late and subject to compliance review. Orders shipped by Supplier with transit times that will extend the delivery beyond the "Arrive By Date" Must be approved by the Purchasing Agent (Category Manager or Buyer) in advance. Purchase Orders delivered past the "Cancellation Date" without advance approval are subject to refused appointment schedule and penalties.

CASE MARKING, PACKAGING AND DAMAGES

All cases/cartons should be clearly marked and identify the following; Lewis Drug Purchase Order Number, Manufacturer, Product, Case and individual item UPC, size and quantity contained in each case and dating as applicable. These are the minimum requirements. Please refer to any special marking and ticketing instructions provided by purchaser at the time of sale. Any and all special instructions provided at the time of sale will be deemed part of the agreement and resulting expectations of Lewis Drug. Whenever possible, safety lids should be used on liquid products to avoid leaks and damage. Every effort **MUST** be made to minimize mixed skids and mixed layers of individual product SKU's when shipping. Purchase orders **MUST** be loaded separately and **NEVER** mixed during shipping. Mixed Purchase Orders on the same pallet will result in a Supplier chargeback for non-compliance.

DISCREPANT SHIPMENTS

OVER SHIPMENTS, MIS-SHIPMENTS AND UNAUTHORIZED SUBSTITUTIONS

Lewis Drug **WILL NOT** accept any product shipped over order quantity, mis-shipments or unauthorized substitutions. When situations arise with Warehouse receipts that require goods to be returned to Supplier, the Supplier will have Seven (7) Days from the date of notice to provide Lewis Drug a "Written Return Authorization". The Return to Vendor (RTV) will be returned at the Supplier expense. If goods are not retrieved from Lewis Drug within thirty (30) days, the Supplier will incur storage fees at a rate of \$3.00 per day, per discrepancy. The Supplier will be notified by the Purchasing Agent within 48 hours of receipt, at which time the Supplier's Free-Time will begin. Any such occurrence could be subject to a non-compliance chargeback outlined in Liquidated Damages.

PALLET PROGRAM - The following shipping methods are to be used unless otherwise stated on the purchase order.

Shipments not on CHEP Pallets are required to be shipped and palletized on GMA Standard 48" X 40" four way wood pallets, Grade 8 or better, with no missing boards or protruding nails. Pallets not meeting standards will require re-palletization upon receipt of goods. Anytime this type of re-handling of product is required, a Supplier chargeback will be invoked to reimburse for associated costs. All Suppliers will assume responsibility for any accessorial charges for unloading and detention levied against Lewis Drug as a result of Supplier Non Compliance requiring re-handling of freight at the time of delivery.

Orders which exceed twenty-five Cartons/Cases must be shipped palletized. No "Shipper Load and Count" (SLC) is allowed unless the shipment is a sealed full truckload. Bill of Lading should note the seal number upon conveyance to the Carrier for transit security purposes.

DOMESTIC FREIGHT ROUTING INSTRUCTIONS

COLLECT FREIGHT SHIPMENTS

All "Collect" shipment MUST be routed through the Lewis Drug Carrier/LSP Designate. Shipments shall be routed as follows;

(A) Truckload (TL)

For the purposes of freight routing, Truckload moves are defined as Shipper Shipments with a weight in excess of 10,001 pounds (including pallets), or more than 1,400 Cubic Feet. Call Johnson Feed at (800) 669-4201.

(B) Less-Than-Truckload (LTL)

For the purposes of routing, Less-Than Truckload (LTL) shipments are defined as; Shipments with a weight greater than 99 pounds and Less Than 10,001 pounds (including Pallets) and Less Than 1,400 Cubic Feet. Less-Than-Truckload Shipments MUST be routed through ECHO Global Logistics (541) 706-2817.

(C) Parcel Shipments

For the purposes of routing, Parcel Shipments are defined as; Shipments with a weight of 1-200 pounds. Shipments MUST be routed through Fed Ex.

(D) Air Shipments

Air Shipments are unauthorized unless paid for by Supplier.

Split Shipments

Split Shipments are NOT authorized unless approved by a category manager. All Collect shipments must be shipped complete. If Shipped incomplete, Supplier will be responsible for the incremental cost of freight, plus an administrative penalty fee of \$75.00. Contact Category Manager for any exceptions to this policy.

If there are any pre-routing questions concerning mode designation, please contact Lewis Drug (605) 413-9764, (605) 367-2896 or (605) 367-2897.

PREPAID FREIGHT SHIPMENTS

General Routing Comments

Only Lewis Drug Logistics Department can authorize changes in routing instructions. When and if any such changes become necessary, the Supplier will be provided supplemental instructions via written communication via email or fax. Otherwise, there will be no authorized changes permitted that are not contained in this Routing Guide.

KEY PERFORMANCE INDICATORS

Lewis Drug is currently monitoring the following:

- Fill Rates
- On-Time Delivery
- Receipt Efficiency
- Order Cycle Time Performance
- Shipping compliance

SUPPLIER COMPLIANCE

Liquidated Damages & Compliance Charge Backs (Domestic Shipments)

All Suppliers and Carriers shall adhere to the special requirements contained herein. Compliance with these instructions will be essential for proper carriage, delivery and receipt of product pursuant to a valid Purchase Order. Non-Compliance with these instructions and requirements often create unnecessary expense and inefficiencies detrimental to our operation. Any non-compliance with these specified requirements may result in reasonable financial penalties being assessed to the Shipper or Carrier for their failure to meet service requirement and/or conditions of sale.

The intention of these instructions and requirements is not to focus on non-compliance, but rather to encourage compliance with agreed upon service expectations.

Compliance with this Supplier Guide is considered part of the terms and conditions of every Purchase Order and thus a condition of sale. As such, terms and conditions are considered to be a binding Agreement of Sale by both Lewis Drug and the Supplier upon acceptance and fulfillment of the Purchase Order by the Supplier.

Lewis Drug will open for dispute any charge back within 45 days of issuance of the charge back. Any charge back contested beyond the 45 day dispute period will not be reversed and will be considered a closed matter.

Charge Back Codes and Penalties may be assessed as follows:

Code 1(A)- Failure to Arrive for a scheduled appointment "On-Time" or failure to secure an appointment **(\$200)**.

Code 1(B)- Missed Scheduled Appointment **(\$300)**.

Code 2- Failure To Follow Routing Instructions **(\$Actual Freight Charges)** Assessed when Shipper shipped "Collect" shipment through unauthorized Carrier or Mode of Transportation.

Code 3- Order Discrepancies **(\$100 per SKU- \$300 Maximum)** Includes: (A) Overages, (B) Shortages, (C) Unauthorized Substitutions, (D) Incorrect Pack Size, (E) Incorrect UPC, (F) Incorrect Pricing, (G) Items not on Purchase Order, (H) Split Shipments, (I) Dating Compliance, and (J) Product Past PO Cancellation Date.

Code 4-Supplier Carton Labeling **(\$100 PerSKU)**

Code 5- Improper Freight Bill **(\$100)**

Code 6- Late Ship **(\$25/\$100 Per SKU, Maximum \$500)** Shipment Shipped Late and failed to meet the Purchase Order "Deliver By Date". Promotional Product Orders will be assessed maximum penalty.

Code 7-Special Handling Required **(\$200)** Shipment Requires Repack. This would include items not shipped on pallets. All exceptions must be pre-approved by Logistics Department.

Code 8-Incomplete "Collect" Shipments **(\$100-Actual Freight Cost)** Supplier Split Ships or Ships Incomplete Order Collect.

Code 9-Administrative Fee/Storage Fee **(\$475 Admin Fee/\$3 Per Day Storage)** Administrative Fee can be assessed against all violations. Suppliers failing to rectify Return-To-Vendors (RTV's) in a timely manner are subject to Administrative Fee and a Per Day Storage assessment.

Code 10-Certificate of Insurance Penalty **(\$75)** Supplier fails to comply with Insurance Requirement and provide Certificate of Insurance in the form required.

If penalties are invoked at the time of receipt, charges will be deducted against the appropriate Supplier invoice. When this occurs, the supporting detail will be forwarded with the Suppliers Invoice Remittance. If it is determined at a later date, that a situation requiring a validated deduction has occurred, the deduction will be issued and deducted against a subsequent Invoice with the appropriate back-up detail.

INSURANCE AND RISK MANAGEMENT REQUIREMENTS

All Suppliers supplying Goods and/or Services to Lewis Drug are required to carry Commercial General Liability and/or Product Liability coverage and supply proof of coverage as a condition of conducting business with Lewis Drug Inc. Such policy limits should be sufficient to support the scope and nature of business. Lewis Drug minimum requirements for product and services suppliers are as follows:

General Aggregate Limit of \$2,000,000 (other than products-completed operations),
Products-Completed Operations Aggregate Limit of \$2,000,000, Personal and
Advertising Injury Limit of \$1,000,000, Each Occurrence Limit of \$1,000,000.

Lewis Drug Inc requires to be named as an "Additional Insured" on the Certificate of Insurance (COI) and the appropriate endorsements attached to the certificate. All Certificates Of Insurance can be either forwarded by USPS to the Lewis Drug Corporate Offices, 2701 S Minnesota Ave Suite 1, Sioux Falls, SO 57105, electronically by email to bmeyer@lewisdrug.com or by fax to (605) 367-2876. It is the sole responsibility of the Supplier to supply Lewis Drug with the "Current" Certificates of Insurance upon annual renewals, Carrier changes, Breaches of Coverage, ect. If at any time, Lewis Drug must engage compliance activities to secure the proper COI, the Supplier will be assessed the appropriate fee for facilitating compliance.

Material Safety Data Sheets (MSDS) are to be provided to Lewis Drug for all products of potentially hazardous or dangerous products. These MSDS sheets may be forwarded by the aforementioned means indicated for Certificates of Insurance. (COI)

For complete insurance requirements, please see link provided at www.lewisdrug.com. Follow the Supplier information link to the "Supplier Insurance and MSDS Requirements" link. Any questions regarding this section should be requested in writing at our "Contact Us" link provided at Lewis Drug.

WARRANTY, INDEMNITY AND GOVERNMENTAL REGULATORY COMPLIANCE

Supplier represents and warrants that all merchandise purchased by Buyer, Lewis Drug is of merchantable quality and fit for the purpose for which it is intended. Such warranty by the merchandise, whether expressed or implied, including any warranties provided by any applicable statute or regulation.

By shipping the products ordered and/or performing services requested, the Supplier certifies and warrants that it has complied with all applicable laws, regulations and certification and testing requirements with regard to the manufacture, distribution and sale of the products shipped and/or services performed. By shipping the products ordered and/or performing services requested, Supplier further certifies and warrants that the sale of such products, services, packaging, labels, and/or logos do not violate any patent, trademark, and/or copyright laws. Supplier agrees to indemnify, defend and hold Purchaser (Lewis Drug Inc and/or its affiliates) and their directors, officers, employees and other agents harmless from and against any and all damages, claims, breach of any provisions of this Supplier Guide, any Agreement of Sale and/or relating to or arising by virtue of bodily injury, death or property damage, arising from purchase, or use of products or services purchased from Supplier. Without limiting the foregoing provisions of this Supplier Guide, the foregoing indemnity provisions are effective whether the said damages, claims and/or fines of any nature (including, without limitation, reasonable attorney fees) result from any patent or hidden defects in quality of such products and/or services or dangerous condition thereof, whether based on claim of breach of express or implied warranty or any other legal theory based on contract or tort law, whether brought pursuant to a class action statute or not, or whether resulting from any regulatory or legal basis. If the provisions of this Agreement shall conflict with the provisions of any documents creating binding legal obligations between the Purchaser and Supplier, it intended that the provisions providing the most favorable benefit to the Purchaser shall be controlling.

CONTACT INFORMATION

If at any time, a Supplier wishes to contact Lewis Drug about this Supplier Guide, please feel free to contact Category Managers at (605) 367-2000.