

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



**ITEM: 15.3
(ID # 16715)**

MEETING DATE:
Tuesday, July 20, 2021

FROM : (RUHS) RIVERSIDE UNIVERSITY HEALTH SYSTEM:

SUBJECT: RIVERSIDE UNIVERSITY HEALTH SYSTEM-MEDICAL CENTER: Approve the Letter Agreement with Nestlé USA, Inc. for the Nestlé Foodservice Supply Program without seeking competitive bids, five years, effective July 1, 2021 through June 30, 2026, All Districts. [Total Aggregate Cost \$425,000; up to \$42,500 in additional compensation – 100% Hospital Enterprise Fund- 40050]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the Letter Agreement with Nestlé USA, Inc. for the Nestlé Foodservice Supply Program without seeking competitive bids for \$85,000 annually for five years, effective July 1, 2021 through June 30, 2026; and authorize the Chair of the Board to sign the Agreement on behalf of the County
2. Authorize the Purchasing Agent, in accordance with Ordinance No. 459, based on the availability of fiscal funding and as approved by County Counsel to: (a) sign amendments that exercise the options of the Agreement including modifications of the statement of work that stay within the intent of the Agreement; (b) sign amendments to the compensation provisions that do not exceed the sum total of ten percent (10%) of the total annual cost of the contracts.

ACTION:Policy


Jennifer Cruikshank, Chief Executive Officer - Health System 6/30/2021

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, seconded by Supervisor Spiegel duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None
Date: July 20, 2021
xc: RUHS-Medical Center

Kecia R. Harper
Clerk of the Board

By: 
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 85,000	\$ 85,000	\$ 425,000	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: Hospital Enterprise Fund 40050			Budget Adjustment:	No
			For Fiscal Year:	21/22 -25/26

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

The requested Board action will approve a five year Letter Agreement with Nestlé USA, Inc. for the Starbucks brand proprietary coffee supplies and marketing materials, without seeking competitive bids, sole source approval (SSJ#22-007), effective July 1, 2021 through June 30, 2026 for \$85,000 annually.

The Food & Nutrition Services (F&N) Department at Riverside University Health System (RUHS) utilizes Starbucks products and promotional materials for its stand-alone coffee shop at the main hospital cafeteria and Education Building/Caterings locations. The coffee shop is a revenue generating service line for RUHS in addition to serving as a key area for hospitality and customer convenience.

Starbucks is one of the world's leading coffee brand and chain. Its products, logo and signage are proprietary which can only be used after being licensed by Starbucks. Nestlé has been approved as a licensed supplier of Starbucks products and services per the Initial Supply and Distribution Agreements entered into by Starbucks and Nestlé on August 26, 2018.

Starbucks offers has a brand recognition and a strong reputation for quality coffee products and variety for our customers. Customers are more likely to spend on products when it is a brand that they recognize and trust. Additionally, the offering of Starbucks products at RUHS will help to further enhance the patient and visitor experience with hospitality engagement.

Impact on Residents and Businesses

The products and supplies provided under this Letter Agreement will allow the F&N Department to engage visitors and patients with an enhanced experience through the Starbucks brand and numerous beverage combinations it offers. County residents will benefit from a new healthcare experience that combines retail and healthcare that is convenient and creates a pleasant experience.

Additional Fiscal Information

The table below illustrates the budgeted amount per fiscal year.

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STATE OF CALIFORNIA**

Description:	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26	Total
Coffee Products, supplies and promotional materials	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$425,000

Contract History and Price Reasonableness

The Letter Agreement for Nestle Foodservice Supply Program is the hospital's first contract with Nestlé USA, Inc.

This Letter Agreement includes a 7% discount on all Starbuck Coffee Products and free training to RUHS F&N staff members involved in coffee preparation. The discount being offered is reasonable and comparable to industry standards.

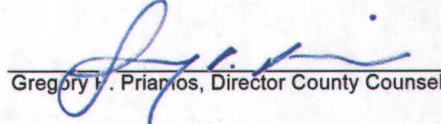
Additionally, our retail pricing will be based on product costs and we aim to achieve 40% food cost or better, which means 60% would be revenue for the hospital.

ATTACHMENTS:

LETTER AGREEMENT FOR NESTLÉ FOODSERVICE SUPPLY PROGRAM
SOLE SOURCE APPROVAL NO. 22-007


Jacqueline Ruiz, Sr. Management Analyst

7/13/2021


Gregory L. Priamos, Director County Counsel

7/7/2021



4/28/2021

From: Nestlé USA, Inc.
1812 N. Moore St.
Arlington, VA 22204
Attention: Foodservice Division

To: County of Riverside, Riverside University Health System
26520 Cactus Avenue
Moreno Valley, CA 92555
Attention: Elita Dao

Re: Letter Agreement – Nestlé Foodservice Supply Program.

Dear County of Riverside:

Thank you for giving Nestlé USA, Inc. (“Nestlé”) the opportunity to extend the Nestlé “We Proudly Serve Starbucks™”, Teavana™ Tea foodservice supply program (the “Nestlé Program”) to the County of Riverside, Riverside University Health System. This letter and its exhibits, which are incorporated herein by this reference, (collectively, the “Letter Agreement”), describes the terms of the Nestlé Program, which upon signature by both parties will constitute a binding agreement between the parties.

1. PARTIES:

Nestlé USA, Inc., a Delaware corporation, (“Nestlé”) and the County of Riverside, a political subdivision of the state of California, on behalf of Riverside University Health System (“Customer”).

2. CUSTOMER’S ADDRESS:

Customer’s address is set forth above at the beginning of this Letter Agreement.

3. TERM:

The term of this Letter Agreement commences upon signature of both Parties, or July 1, 2021 (the “Commencement Date”), whichever should come first and expires on June 30, 2026 (the “Initial Term”).

This Letter Agreement may be renewed and continued for additional mutually agreed term(s) (collectively the “Renewal Term”) by a written amendment signed by both parties. The Initial Term and any Renewal Term shall be collectively referred to herein as the “Term.”

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4. PARTICIPATING LOCATIONS (“ACCOUNTS”):

During the Term of this Letter Agreement, Customer agrees to purchase Nestlé Starbucks, Teavana teas, Paper Products, Fontana sauces, syrups, bases and other proprietary ingredients (collectively, the “Products”) from Nestlé or Nestlé authorized distributor(s) to meet its coffee and tea beverage requirements for the following locations:

- Coffee Shop
- Cafeteria
- Education Building/Caterings

All Products must be served in Starbucks, Seattle’s Best Coffee and Teavana branded Paper Products. Customer’s participation in the Nestlé Program and its receipt of the pricing discounts for the coffee products set forth in Exhibit B (“Coffee Products”) is conditioned upon the assumption that Customer uses the Nestlé Products to meet its coffee and tea beverage requirements at the above named locations throughout the Term. In the event Customer fails to do so, then Nestlé, in its sole discretion may reduce and/or eliminate Customer’s discounts on pricing and thereafter charge list prices for the Coffee Products. The address of each Customer location approved by Nestlé is listed in Exhibit C, which may be updated from time to time via a written amendment to this Letter Agreement as locations are added or deleted (the “Accounts”). Nestlé reserves the right to approve or disapprove, in its sole discretion, each Account based on (a) its ability to properly implement the QA Standards and any other guidelines and performance standards published by Nestlé from time to time and (b) any other valid business reason.

5. PRODUCT PLATFORMS AND PRICING:

“We Proudly Serve Starbucks™” recipes use proprietary Starbucks® coffees, Seattle’s Best Coffee™ coffees, Starbucks® non-dairy alternatives, tea products and Fontana® beverage and other required ingredients and certain paper products (all of which may be modified at any time by Nestlé in its sole discretion). No other products or ingredients may be substituted. The methods, approved products, ingredients, recipes and techniques designated by Nestlé shall be used at all times. Any person who is involved in coffee preparation, at no cost to said persons or Customer, must complete a Nestlé orientation and any training offered by Nestlé and such training can only be facilitated by an authorized Nestlé representative. Customer and each Account is required to choose its Product Platform and is authorized and required to purchase the Products within the chosen Product Platform. “Product Platform” means the portfolio of Products available to, and required by Nestlé, for Customer’s and the Accounts’ execution of their “We Proudly Serve Starbucks” program which Product Platforms Nestlé may modify from time to time. Certain Product Platforms include various “auto ship” orders at certain times of the year. If an Account selects a Product Platform that includes auto shipments, Customer and Account will accept and pay for those shipments of Products. Accounts will be permitted to serve Frappuccino beverages only with Nestlé’s explicit authorization and completion of the Frappuccino Addendum attached as Exhibit E.

Nestlé will sell all Products other than Coffee Products at Nestlé list prices, which list prices Nestlé may adjust from time to time. Revised prices shall apply to any orders placed as of the effective date of any price change. Prices do not include any sales or use taxes, if any, imposed on the purchase of products.

Customer shall have the right to set the prices for all sales of beverages and other products to its customers.

6. QUALITY ASSURANCE:

Customer agrees to comply, and to ensure that each Account complies, with the Nestlé quality assurance standards (“QA Standards”) established for the purpose of creating uniform, high quality beverages for consumption by customers (attached hereto as Exhibit A), which may be amended by a written amendment signed by the authorized representatives of both parties from time to time. The QA Standards address coffee brewing methods and equipment maintenance (e.g., freshness, taste, proportions, approved ingredients, brewing and holding times, product storage and rotation, and cleanliness). Nestlé may require training for Customer’s and the Accounts’ employees, at no cost to Customer or Customer’s and Accounts’ employees, to educate them in the QA Standards and may periodically visit

Customer and the Accounts to determine whether the QA Standards are being adhered to. Nestlé reserves the right to terminate this Letter Agreement if Customer and/or the Accounts fail to comply with the QA Standards.

7. TRADEMARKS:

Under the Nestlé Starbucks Coffee Program, Nestlé grants Customer permission to use, solely in conjunction with Customer's authorized sale of the Products, certain of Nestlé and/or Starbucks trademarks, graphics or designs in materials provided by Nestlé (collectively the "Trademarks"). This Letter Agreement does not grant Customer or the Accounts any right, title or interest in any of the Trademarks.

8. MARKETING SUPPORT:

Nestlé shall provide Customer with an initial package of marketing materials. Additional marketing materials may be available for purchase at the prices set out in the Nestlé Starbucks Coffee Foodservice Catalog, as updated from time to time. Any use of any marketing materials must comply with the Nestlé Starbucks Coffee Logo Usage Guidelines without alteration, a copy of which is available on request.

9. PURCHASED EQUIPMENT: WARRANTIES/DISCLAIMERS/RETURNS

In the event Nestlé elects to sell Customer equipment (at Customer's request), then any such purchased equipment ("Purchased Equipment") will be sold to Customer at Nestlé list price for such Purchased Equipment in effect at the time of Nestlé acceptance of the order. Nestlé reserves the right to use its standard method of packaging for all Purchased Equipment shipped to Customer. Nestlé will ship all Purchased Equipment FOB destination, freight prepaid, unless Customer and Nestlé agree otherwise. Title to Purchased Equipment will pass to Customer upon payment to Nestlé of the full purchase price. Customer has no claim for damages of any kind resulting from any delay in delivery.

Nestlé is not the manufacturer of any Purchased Equipment. All Purchased Equipment is provided to Customer and Accounts at their election without alteration or modification. Except as expressly set forth in this section, Nestlé makes no warranties whatsoever regarding any Purchased Equipment and specifically disclaims any responsibility for any Purchased Equipment failing to meet any specifications published by any person or entity. For Purchased Equipment, Nestlé agrees to assign and pass through to Customer the manufacturer's warranty to the greatest extent such warranties are assignable, which warranty is extended only to Customer. **NESTLÉ MAKE NO OTHER REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO MARKETABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER MATTER WITH RESPECT TO ANY PURCHASED EQUIPMENT.** The warranty hereunder shall not extend to, and Nestlé shall not be liable for or accept returns of, Purchased Equipment damaged as a result of Customer's or its agents' acts or omissions, natural causes, power surges, misuse, neglect, alteration, accident, improper installation, testing or unauthorized repairs. Customer's exclusive remedy and Nestlé's exclusive liability for shipment of nonconforming Purchased Equipment, including without limitation, for any breach of warranty, is expressly limited, at Nestlé's option, to (i) replacement, within a reasonable period of time, of the nonconforming Purchased Equipment at no additional charge to Customer, or (ii) refund of the applicable purchase price. All returns of Purchased Equipment are subject to Nestlé's then-current return policy, must be approved in advance by Nestlé and a restocking fee may apply. Approved returns must be made within thirty (30) days after delivery of the Purchased Equipment to Customer.

Nestlé will notify Customer if it initiates or becomes aware of any market withdrawals or recalls of Purchased Equipment. If Nestlé deems it necessary to recall any Purchased Equipment, Customer agrees to take, and to cause its subcontractors to take, such procedures established by Nestlé or any governmental authority responsible for such recall. If Customer fails or refuses to comply with a recall upon request by Nestlé, Nestlé shall be authorized to take such action as it deems necessary to recall the Purchased Equipment from Customer and/or the Accounts.

Customer is solely responsible for all cleaning, service, maintenance, repairs and replacement of all Purchased Equipment and any other equipment owned or leased by Customer or the Accounts used with the Products all in accordance with the manufacturer's instructions and Nestlé QA Standards, including maintenance of the water filtration system and replacement of water filters. Customer, at its expense, shall prepare its facilities for the installation of the Purchased Equipment prior to the date of delivery and set-up.

10. LOANED EQUIPMENT:

During the Term of the Letter Agreement, Nestlé may agree to offer and Customer may agree to accept equipment loaned by Nestlé ("Loaned Equipment"). If the Customer will be using Loaned Equipment, the parties will mutually discuss and agree upon scheduling the installation of any Loaned Equipment and the implementation of any training program. If Nestlé loans Customer Loaned Equipment, you may not move Loaned Equipment from an approved location without Nestlé approval. To the extent Customer receives Loaned Equipment, Customer shall execute the Loaned Equipment Addendum ("LEA") attached hereto as Exhibit D which may be modified via a written amendment signed by the authorized representatives of both parties. In conjunction with this Letter Agreement, the LEA sets forth Customer's and the Accounts' rights and responsibilities regarding any Loaned Equipment used for the Nestlé Program, including without limitation, an obligation to purchase a minimum of thirty (30) pounds of Coffee Products per week per location receiving the Loaned Equipment.

11. INSTALLATION/MAINTENANCE:

Nestlé will provide a schedule under which the Nestlé Program will be rolled out to the Accounts. Customer shall be responsible for ensuring each Account has adequate electric and water service to comply with the Nestlé QA Standards. Loaned Equipment shall be installed by technicians trained or authorized by Nestlé at Account's sole expense. Reasonable access will be granted for that installation. Customer is responsible for any needed electrical, plumbing, carpentry and other work and permits required for installation whether the installation is for Purchased Equipment or Loaned Equipment. In the event a location is not ready on the scheduled date for an installation set up by Nestlé, Nestlé will charge Customer a fee covering the cost of the failed installation attempt. Customer and the Accounts are responsible, at their sole expense, for the daily routine cleaning and all water filtration maintenance and replacement (as recommended) for all Loaned Equipment used in the preparation and service of any of the Products. Additionally, Customer is responsible, at its sole expense, for the service, repair replacement (as needed) of all Loaned Equipment used in the preparation and service of any of the Products.

12. INDEMNIFICATION:

Customer agrees to indemnify, defend and hold harmless Nestlé including its respective affiliates and officers, directors, employees and agents from and against all damages, losses, obligations, liabilities, judgments, fines, settlements, penalties, interest, costs and expenses of any kind (including, without limitation, reasonable attorneys' fees) ("Claims") asserted by third parties against Nestlé arising from the acts or omissions of Customer and/or any Account, their respective officers, directors, employees or agents including without limitation any beverage made by an Account, and/or the Products' use and handling (for example, a hot beverage spill).

Nestlé shall indemnify and hold harmless the County of Riverside, its Agencies, Districts, Special Districts and Departments, their respective directors, officers, Board of Supervisors, elected and appointed officials, employees, agents and representatives (individually and collectively hereinafter referred to as "County Indemnitees") from any liability, action, claim or damage whatsoever, based or asserted upon any products or services of Nestlé, its officers, employees, subcontractors, distributors, agents or representatives arising out of or in any way relating to this Letter Agreement, including but not limited to property damage, bodily injury, or death or any other element of any kind or nature. Nestlé shall defend, at its sole expense, all costs, and fees including, but not limited, to attorney fees, cost of investigation, defense and settlements or awards, the County Indemnitees in any claim or action based upon such alleged acts, omissions, or services. With respect to any action or claim subject to indemnification herein by Nestlé, Nestlé shall, at its sole cost, have the right to use counsel of its own choice and shall have the right to adjust, settle, or

compromise any such action or claim without the prior consent of Customer; provided, however, that any such adjustment, settlement or compromise in no manner whatsoever limits or circumscribes Nestlé's indemnification to County Indemnitees as set forth herein. Nestlé's obligation hereunder shall be satisfied when Nestlé has provided to Customer the appropriate form of dismissal relieving Customer from any liability for the action or claim involved. The specified insurance limits required in this Letter Agreement shall in no way limit or circumscribe Nestlé's obligations to indemnify and hold harmless the County Indemnitees herein from third party claims.

13. INSURANCE

Without limiting or diminishing Nestlé's obligation to indemnify or hold the County of Riverside harmless, Nestlé shall procure and maintain or cause to be maintained, at its sole cost and expense, the following insurance coverage's during the Term of this Letter Agreement. As respects to the insurance section only, Customer herein refers to the County of Riverside, its Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board of Supervisors, employees, elected or appointed officials, agents, or representatives as Additional Insureds.

A. Workers' Compensation:

If Nestlé has employees as defined by the State of California, Nestlé shall maintain statutory Workers' Compensation Insurance (Coverage A) as prescribed by the laws of the State of California. Policy shall include Employers' Liability (Coverage B) including Occupational Disease with limits not less than \$1,000,000 per person per accident. The policy shall be endorsed to waive subrogation in favor of Customer.

B. Commercial General Liability:

Commercial General Liability insurance coverage, including but not limited to, premises liability, unmodified contractual liability, products and completed operations liability, personal and advertising injury, and cross liability coverage, covering claims which may arise from or out of Nestlé's performance of its obligations hereunder. Policy shall name Customer as Additional Insured. Policy's limit of liability shall not be less than \$1,000,000 limit. If such insurance contains a general aggregate limit, it shall apply separately to this Letter Agreement or be no less than two (2) times the occurrence limit.

C. Vehicle Liability:

If vehicles or mobile equipment is used in the performance of the obligations under this Letter Agreement, then Nestlé shall maintain liability insurance for all owned, non-owned, or hired vehicles so used in an amount not less than \$1,000,000 per occurrence combined single limit. If such insurance contains a general aggregate limit, it shall apply separately to this Letter Agreement or be no less than two (2) times the occurrence limit. Policy shall name Customer as Additional Insureds.

D. General Insurance Provisions - All lines:

- 1) Any insurance carrier providing insurance coverage hereunder shall be admitted to the State of California and have an A M BEST rating of not less than A: VIII (A:8) unless such requirements are waived, in writing, by the Customer's Risk Manager. If the Customer's Risk Manager waives a requirement for a particular insurer such waiver is only valid for that specific insurer and only for one policy term.
- 2) Nestlé must declare its insurance self-insured retention for each coverage required herein. If any such self-insured retention exceeds \$500,000 per occurrence each such retention shall have the prior written consent of the Customer's Risk Manager before the commencement of operations under this Letter Agreement. Upon notification of self-insured retention unacceptable to the Customer, and at the election of the Customer's Risk Manager, Nestlé's carriers shall either; 1) reduce or eliminate such self-insured retention as respects this Letter Agreement with the Customer, or 2) procure a bond which guarantees payment of losses and related investigations, claims administration, and defense costs and expenses.
- 3) Nestlé shall cause Nestlé's insurance broker to furnish the County of Riverside with either 1) a properly executed original Certificate(s) of Insurance and copies of Endorsements effecting coverage as required herein, and 2) if requested to do so orally or in writing by the Customer Risk Manager, provide original Certified copies of policies including all Endorsements and all attachments thereto, showing such insurance

is in full force and effect. Further, said Certificate(s) shall contain the covenant of the insurance carrier(s) that thirty (30) days written notice shall be given to the County of Riverside prior to any material modification, cancellation, expiration or reduction in coverage of such insurance. In the event of a material modification, cancellation, expiration, or reduction in coverage, this Letter Agreement shall terminate forthwith, unless the County of Riverside receives, prior to such effective date, another properly executed original Certificate of Insurance and original copies of endorsements or certified original policies, including all endorsements and attachments thereto evidencing coverage's set forth herein and the insurance required herein is in full force and effect. Nestlé shall not commence operations until the Customer has been furnished Certificate (s) of Insurance and copies of endorsements and if requested, certified original policies of insurance including all endorsements and any and all other attachments as required in this Section. An individual authorized by the insurance broker shall sign the Certificate of Insurance.

- 4) It is understood and agreed to by the parties hereto that Nestlé's insurance shall be construed as primary insurance, and the Customer's insurance and/or deductibles and/or self-insured retention's or self-insured programs shall not be construed as contributory.
- 5) If, during the Term of this Letter Agreement or any extension thereof, there is a material change in the scope of services; or, there is a material change in the equipment to be used in the performance of the scope of work; or, the Term of this Letter Agreement, including any extensions thereof, exceeds five (5) years; the Customer reserves the right to adjust the types of insurance and the monetary limits of liability required under this Letter Agreement, if in the Customer Risk Manager's reasonable judgment, the amount or type of insurance carried by Nestlé has become inadequate.
- 6) Nestlé shall pass down the insurance obligations contained herein to all tiers of subcontractors working under this Letter Agreement.
- 7) The insurance requirements contained in this Letter Agreement may be met with a program(s) of self-insurance acceptable to the Customer.
- 8) Nestlé agrees to notify Customer of any claim by a third party or any incident or event that may give rise to a claim arising from the performance of this Letter Agreement.

14. ORDERING/ DISTRIBUTION/ SHIPPING/ INVOICES:

Customer shall pay Nestlé for services performed, all products provided and expenses incurred in accordance with the terms of this Letter Agreement. Maximum payments by Customer to Nestlé shall not exceed eighty-five thousand dollars (\$85,000) annually, including all expenses. If Customer's purchases are likely to exceed this amount, the parties will work together to agree on a new acceptable limit. Customer is responsible for tracking its purchases and monitoring the maximum payment limit. Unless otherwise specifically stated in this Letter Agreement, Customer shall not be responsible for payment of any of Nestlé's expenses related to this Letter Agreement.

Customer shall order the Products and related supplies from a Nestlé authorized distributor or in some instances, from Nestlé directly. All Products ordered shall be delivered FOB destination, freight pre-paid, directly to the Accounts and, unless otherwise indicated, the price of shipping is included in coffee and product prices. Accounts shall be responsible for payment of all shipping charges on any orders direct from Nestlé totaling less than Five Hundred Dollars (\$500.00). Emergency orders, if any, shall be shipped at Customer's expense. Invoices are due upon issuance and are payable net thirty (30) days from issuance. A late payment charge will be assessed on any obligation not paid when due at a rate of one and one-half percent (1-1/2%) per month; provided, however, that such late payment charge shall not be assessed at a rate which exceeds the maximum permitted by applicable law.

15. CONFIDENTIALITY:

Customer agrees that all information exchanged pursuant to this Letter Agreement and the Nestlé Program is proprietary and confidential to Nestlé ("Confidential Information"). Customer agrees that it will not disclose to third parties or use the Confidential Information without Nestlé prior written approval which may be granted or withheld in

Nestlé's sole discretion. Customer shall not be permitted to issue any press release or announcement regarding this Letter Agreement or the transaction contemplated herein without the prior approval of Nestlé.

Nestlé acknowledges that Customer is a governmental entity subject to the public records and meeting laws of the State of California, including the California Public Records Act (Government Code Section 6250 et seq.) and the California Brown Act (Government Code Section 54590 et seq.). Notwithstanding any other provision contained in this Letter Agreement, any information (including Confidential Information), communications, and documents given by Nestlé to Customer and meetings involving Customer may be subject to disclosure pursuant to the Public Records Act and Brown Act. To the extent Customer is required by law to disclose the above-described information (including Confidential Information), communications, and documents, Customer shall comply with such law. Customer has the right in its sole discretion to determine what shall be disclosed.

16. TERMINATION:

A. For Cause

In the event of a breach of any of the terms or conditions of this Letter Agreement by Nestlé, which breach has not been cured within fifteen (15) days after receipt of written notice from Customer to Nestlé, Customer may terminate this Letter Agreement by giving written notice to Nestlé.

In the event of a breach of any of the terms or conditions of this Letter Agreement by Customer or an Account, which breach has not been cured within thirty (30) days (other than a breach of the provisions regarding QA Standards, the Trademarks or Confidential Information, which must be cured within ten (10) days of written notice of the same), Nestlé may terminate this Letter Agreement as to Customer and any or all of the Accounts by giving written notice to Customer.

Termination shall be in addition to any other remedies available at law or in equity. Customer agrees that no remedy at law for damages may be adequate to compensate Nestlé for a specific breach of the confidentiality provision or misuse of Nestlé and/or Starbucks Trademarks or marketing materials and that Nestlé may be entitled to temporary or permanent injunctive relief to prevent any such breach.

B. For Convenience

Customer may terminate this Letter Agreement without cause upon sixty (60) days written notice served upon Nestlé stating the extend and effective date of termination.

C. For Lack of Funding

Nestlé acknowledges that Customer is a governmental entity subject to an annual appropriations process. Customer's obligation for payment under this Letter Agreement beyond each fiscal year end, June 30th, is contingent upon and limited by the availability of Customer funding from which payment can be made. No legal liability on the part of Customer shall arise for payment beyond June 30th of each calendar year, with the exception of any orders that were submitted by Customer and accepted by Nestlé prior to June 30th, unless funds are made available for such payment. In the event that such funds are not forthcoming for any reason, Customer shall immediately notify Nestlé in writing, and this Letter Agreement shall be deemed terminated, having no further force and effect.

17. GENERAL:

The parties are, for purposes relating to this Letter Agreement, independent contractors and shall not be deemed employees of the other. It is expressly understood and agreed that Nestlé (including its employees, agents, and subcontractors) shall in no event be entitled to any benefits to which Customer employees are entitled, including but not limited to overtime, any retirement benefits, worker's compensation benefits, and injury leave or other leave benefits. Any notice required or permitted to be given to a party shall be in writing, effective upon receipt, and provided to such party at the address set forth on the first page of this Letter Agreement, with a copy to: Nestlé USA, Inc., 1812

N. Moore Street, Arlington, Virginia 22209, Attention: General Counsel. Either party may change its address for notices by written notice to the other. The terms and conditions of this Letter Agreement shall be governed by and construed in accordance with the laws of the state of California. Any lawsuit relating to this Letter Agreement shall be brought only in the appropriate court located in Riverside County, California, and the parties waive any provision of law providing for a change of venue to another location. Nestlé nor Customer may assign its rights or delegate its obligations under this Letter Agreement without the prior written consent of the other party. This Letter Agreement may not be modified or amended except in writing signed by the parties.

Upon signature by Nestlé and Customer, this Letter Agreement, including any attachments or exhibits, shall constitute the entire agreement between the parties with respect to its subject matter and supersedes all prior and contemporaneous representations, proposals, discussions and communications, whether oral or in writing. This Letter Agreement may be executed in any number of counterparts, each of which shall be an original, and all of which, taken together, shall constitute one and the same instrument.

18. Electronic Signatures. This Letter Agreement may be executed in any number of counterparts, each of which will be an original, but all of which together will constitute one instrument. Each party to this Letter Agreement agrees to the use of electronic signatures, such as digital signatures that meet the requirements of the California Uniform Electronic Transactions Act ("CUETA") Cal. Civ. Code §§ 1633.1 to 1633.17), for executing this Letter Agreement. The parties further agree that the electronic signatures of the parties included in this Letter Agreement are intended to authenticate this writing and to have the same force and effect as manual signatures. Electronic signature means an electronic sound, symbol, or process attached to or logically associated with an electronic record and executed or adopted by a person with the intent to sign the electronic record pursuant to the CUETA as amended from time to time. The CUETA authorizes use of an electronic signature for transactions and contracts among parties in California, including a government agency. Digital signature means an electronic identifier, created by computer, intended by the party using it to have the same force and effect as the use of a manual signature, and shall be reasonably relied upon by the parties. For purposes of this section, a digital signature is a type of "electronic signature" as defined in subdivision (i) of Section 1633.2 of the Civil Code.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Letter Agreement.

COUNTY OF RIVERSIDE, a political subdivision of the State of California, on behalf of Riverside University Health System

By: Karen S. Spiegel

Name: Karen Spiegel

Its: Chair, Board of Supervisors

Dated: JUL 20 2021

NESTLÉ USA, INC., a Delaware corporation

By: DocuSigned by: Joel Kline D928D7C286D94D8...

Name: Joel Kline

Its: Vice President US Field Sales

Dated: May 8, 2021 | 2:23 PM CEST

ATTEST:

KECIA R. HARPER, Clerk

By: [Signature]
DEPUTY

FORM APPROVED COUNTY COUNSEL

BY: [Signature] 5-13-21
ESEN E. SAINZ DATE

EXHIBIT A

QUALITY ASSURANCE STANDARDS

Nestlé continually strives to “make the best cup of coffee in the world.” To meet this objective, we have placed upon ourselves the most stringent standards in green bean selection, roasting, fresh preparation and quality service in the industry (“QA Standards”).

To ensure that our customers consistently receive the best cup of coffee, we have researched and decided upon a set of storage, preparation and service criteria and equipment that we believe maintains our QA Standards.

1. All storage canisters, coffee filters and brewing equipment may be inspected and/or approved by an authorized representative of Nestlé.
2. All brewing equipment must be inspected and calibrated to meet Nestlé brewing standards. Any equipment that does not meet Nestlé brewing standards must be replaced or repaired before Nestlé coffee can be prepared in that location.
3. To ensure maximum freshness and drink quality, Nestlé has developed specific criteria for the storage of brewed coffee products for most commercial equipment. These standards must be consistently adhered to.
4. Water filtration must meet or exceed NSF (National Sanitation Foundation) standards #42 and #53.
5. “We Proudly Serve Starbucks™” recipes “We’re Serving Seattle’s Best Coffee™” recipes use proprietary Starbucks® coffees, Seattle’s Best Coffee, Starbucks® non-dairy alternatives, tea products and Fontana® beverage and other required ingredients (which may be modified at any time by Nestlé in its sole discretion). No other products or ingredients may be substituted. The methods, approved products, ingredients, recipes and techniques designated by Nestlé shall be used at all times. Any person who is involved in coffee preparation must complete a Nestlé orientation and training program and the program can only be facilitated by an authorized Nestlé representative.
6. All locations involved in the storage, preparation and/or serving of Starbucks and Seattle’s Best Coffee Products are subject to periodic inspections.
7. To ensure maximum freshness and quality, Nestlé has suggested a “best when used by” date for all coffee shipped.

EXHIBIT B
Pricing for Coffee Products and Other Products

1. Coffee Products and Pricing:

From the Commencement Date through the expiration of Initial Term, provided that Customer is not in breach of the Letter Agreement, all Coffee Products will be sold at list price less the applicable discount indicated below. The definition of Coffee Products shall only include whole bean and roast and ground coffee, and excludes reserve label, single serve, soluble, ready to drink, liquid and concentrate coffee. The parties acknowledge that it may take up to thirty (30) days following the Commencement Date for the discount pricing to take effect to allow time to be set up in Nestlé’s and the distributors’ systems. Prior to such time, all of Customer’s Coffee Product purchases shall be at list prices or the immediately preceding discount if any are in effect on the Commencement Date of this Letter Agreement, without credits or adjustments for any such purchases.

Product Name	Discount Off List
Starbucks Coffee Products	7%

2. Coffee Price Adjustment:

The list price of Coffee Products prices may be adjusted by Nestlé up to two (2) times each calendar year. Revised Coffee Product prices shall apply to any orders placed as of or after the effective date of any price change.

3. Espresso Program:

All Accounts that are serving Starbucks hand-crafted espresso beverage products will implement the Espresso Product Platform which Product Platform consists of the full portfolio of Products offered by the Nestlé Starbucks Coffee Foodservice division, including without limitation, drip coffee and espresso beverages served exclusively in Starbucks Paper Products, as such program may be updated from time to time.

4. Other Products:

Syrups, tea, Chameleon Coffee and nitro brew coffee, condiments, packaged foods for retail, serve ware, espresso and drip brewing supplies and other non-coffee Nestlé and Starbucks foodservice Products (“Other Products”) shall be sold by Nestlé to the Accounts at list prices published and revised by Nestlé from time to time. Revised Product prices shall apply to any orders placed as of or after the effective date of any price change.

5. Paper Products:

“Paper Products” shall mean branded cups, sleeves, lids, napkins, green straws, green stoppers and any other branded paper products purchased by Customer under this Letter Agreement, and must be used by Customer with all Products as directed by Nestlé. “Paper Products” shall be sold by Nestlé to the Accounts at list prices published and revised by Nestlé from time to time. Revised prices for Paper Products shall apply to any orders placed as of or after the effective date of any price change.

EXHIBIT C

Approved Customer Accounts

List of Approved Account Names and Addresses as of the Commencement Date and subject to change in accordance with this Letter Agreement:

Customer's Account(s):

Riverside University Health System
26520 Cactus Avenue
Moreno Valley, CA 92555

EXHIBIT D

**LOANED EQUIPMENT ADDENDUM TO LETTER AGREEMENT - NESTLÉ FOODSERVICE SUPPLY PROGRAM ("ADDENDUM")
CUSTOMER ACCOUNT NAME: COUNTY OF RIVERSIDE, RIVERSIDE UNIVERISTY HEALTH SYSTEM**

This Addendum is made by and between Customer and Nestlé and is part of the Letter Agreement - Nestlé Foodservice Supply Program ("Agreement"). All capitalized terms not otherwise defined in this Addendum shall have the same meaning as set forth in the Agreement. As stated in this Addendum, Nestlé will loan You certain brewing equipment and may make other equipment and smallwares available to You for sale. In exchange, You agree to adhere to our quality standards and to the terms and conditions below:

- 1. **Qualifying for Loaned Equipment.** Based on Your commitment to purchase at least thirty (30) pounds of whole bean and/or roast & ground coffee ("Coffee Products") per week, You qualify for a loan of certain brewing equipment from Nestlé ("Loaned Equipment"). The Loaned Equipment package you will receive depends on the minimum number of pounds of Coffee Products You have agreed to purchase weekly. Nestlé shall have the right to audit Your purchases, on no more than a quarterly basis, to determine whether Your purchase of Coffee Products have averaged that agreed upon pound-per-week minimum. (Note: Other forms of coffee, for example, Starbucks VIA® Ready Brew or single serve Products, are not included in calculating the pounds of Coffee Products You have purchased.) In the event You do not meet the agreed upon pound-per-week minimum, Nestlé will invoice You in the amount of the manufacturer's retail list price of the Loaned Equipment at the time of installation. Upon full payment of that invoice, You will own the equipment.
- 2. **Quality Assurance Standards.** You agree to follow Nestlé's QA Standards and agree to maintain and repair the Loaned Equipment so that it meets those QA Standards at all times. Nestlé, either through its employee or an authorized representative, may conduct visits at Your premises to monitor compliance with the QA Standards and marketing guidelines. If You do not adhere to the QA Standards, Nestlé will request corrective action. If the corrections are not made in the time determined by Nestlé, Nestlé may cease to do business with you and will either invoice you in the amount of the manufacturer's retail list price of the Loaned Equipment at the time of installation or recover the Loaned Equipment, in Nestlé's sole discretion. Upon full payment of that invoice, You will own the equipment.
- 3. **Loaned Equipment Installation.** You are responsible for ensuring adequate electric and water service to comply with the QA Standards. Loaned Equipment shall be installed by technicians trained or authorized by Nestlé at Your sole expense. You shall also provide any electrical work, plumbing and, if needed, carpentry and other work and permits required for such Loaned Equipment installation. You shall provide reasonable access for installation and in the event that a location is not ready for the installation on the scheduled date, You will be charged a fee covering the cost of the failed installation attempt. You may be required to execute a UCC-1 Financing Statement indicating Nestlé ownership of the Loaned Equipment.
- 4. **Loaned Equipment Use.** You are responsible for daily cleaning of, and routine maintenance for, the Loaned Equipment in accordance with the manufacturer's instructions and the QA Standards. You are also responsible for maintenance of the water filtration system and replacement of water filters as recommended and all periodic scheduled maintenance and any other servicing of the Loaned Equipment and related equipment and accessories. This includes any and all repairs or replacements of the Loaned Equipment required including without limitation those necessitated by: (a) repairs to Loaned Equipment by persons not authorized by Nestlé or otherwise qualified to perform those repairs; (b) improper handling, misuse or negligence by Your employees or agents including failure to perform daily cleaning and routine maintenance of the Loaned Equipment or any related equipment or accessories; (c) electrical failures; (d) improper installation or any modification of the Loaned Equipment by anyone not authorized by Nestlé; (e)

failure to comply with Loaned Equipment operating and maintenance instructions; or (f) loss of Loaned Equipment including without limitation its theft or destruction. You agree to bear full responsibility for all claims against you arising out of your use of the Loaned Equipment or any product made using the Loaned Equipment, including the product's use and handling (e.g. hot coffee spills).

Nestlé is not the manufacturer of the Loaned Equipment and provides such Loaned Equipment to you at your election without alteration or modification. Nestlé makes no warranties whatsoever regarding any of the Loaned Equipment and specifically disclaims any responsibility for any of the Loaned Equipment failing to meet any specifications published by any person or entity. **NESTLÉ MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO MARKETABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER MATTER WITH RESPECT TO THE LOANED EQUIPMENT.**

- 5. **Indemnity.** You will indemnify, defend and hold Nestlé and its officers, owners, directors, employees, agents, subsidiaries and affiliates harmless from and against any and all suits, claims, liabilities, judgments, expenses (including reasonable attorneys' fees and court costs), damages or losses, asserted by third parties against Nestlé or its affiliates arising from (i) any breach of this Addendum; or (ii) any acts or omissions of You, Your officers, directors, employees or agents including without limitation, the use of the Loaned Equipment and the handling and use of the Products (for example, hot coffee spills).
- 6. **Termination.** Either party may terminate this Addendum at any time. Upon notice of termination, you will cease use of the Loaned Equipment, will remove or cover over any Trademarks and Marketing Materials and will surrender them to Nestlé. The Loaned Equipment shall be returned in its original condition excepting normal wear and tear. You agree to either return such Loaned Equipment to Nestlé or allow Nestlé, either through its employee or an authorized representative, to remove all Loaned Equipment. If You elect to return the Loaned Equipment, it will be at Your expense and risk of damage or loss. In the event the Loaned Equipment is damaged or is not returned, Nestlé shall invoice You in the amount of the manufacturer's retail list price at the time of installation for any missing Loaned Equipment or the cost of repair for damaged returned Loaned Equipment.
- 7. **Invoices.** Invoices are due upon issuance and are payable net thirty (30) days from the date of issuance. A late payment charge will be assessed on any obligation not paid when due at a rate of 1-1/2% per month; provided, however, that such late payment charge shall not be assessed at a rate which exceeds the maximum permitted by applicable law.
- 8. **Integration.** This Addendum is part of the Letter Agreement – Nestlé Foodservice Supply Program and is incorporated into that Agreement by this reference.
- 9. **Amendments.** This Addendum may not be modified or amended except by a written instrument executed by both parties.
- 10. **Binding Authority.** You have full authority to enter into and perform your obligations under this Addendum, and the individual executing this Addendum on Your behalf has full power and authority to bind You by his or her execution of this Addendum.

CUSTOMER: Karen S. Spiegel
 Signature: KAREN SPIEGEL
 Name: CHAIR, BOARD OF SUPERVISORS
 Title: JUL 20 2021
 Date:

NESTLÉ USA, INC. DocuSigned by:
 Signature: Joel Kline
 Name: JOEL KLINE
 Title: Vice President US Field Sales
 Date: May 8, 2021 | 2:23 PM CEST

ATTEST:
 KECIA R. HARPER, Clerk
 By Michelle Rasso
 DEPUTY

Exhibit E

**FRAPPUCCINO® BLENDED BEVERAGE ADDENDUM TO LETTER AGREEMENT - NESTLÉ FOODSERVICE SUPPLY PROGRAM
("FRAPPUCCINO ADDENDUM")**

CUSTOMER NAME: COUNTY OF RIVERSIDE, RIVERSIDE UNIVERISTY HEALTH SYSTEM

This Frappuccino Addendum ("Frappuccino Addendum") to the Letter Agreement - Nestlé Foodservice Supply Program ("Agreement"), dated as of _____, 20_21_, is made by and between Customer and Nestlé. **All capitalized terms not otherwise defined in this Frappuccino Addendum shall have the same meaning as set forth in the Agreement. As stated in this Frappuccino Addendum, Nestlé will sell to You, and You will purchase from Nestlé, certain Nestlé products, including Starbucks Frappuccino® Products under the following terms and conditions:**

1. The term of this Frappuccino Addendum shall be contemporaneous with that of the Agreement, provided, however, either party may terminate this Frappuccino Addendum at any time. Upon termination of this Frappuccino Addendum, Customer and the Accounts shall immediately cease use of all Starbucks Frappuccino® branding and proprietary program elements and shall immediately remove them from its operations.

2. For the term of this Frappuccino Addendum, Customer and Customer's Accounts which have chosen the Nestlé "We Proudly Serve" Product Platform, and which are otherwise qualified as provided herein, shall have the right to purchase Starbucks Frappuccino® Products at the prices set forth in the Agreement, and sell Starbucks Frappuccino® blended beverages; provided, however, that as additional conditions to become eligible to purchase Starbucks Frappuccino® Products and sell Starbucks Frappuccino® blended beverages, each Account is **REQUIRED TO:**

- a. **Participate in the Nestlé Signature Espresso Program,**
- b. **Receive required training on the preparation of Nestlé blended beverages by Nestlé,**
- c. **Prepare all Starbucks Frappuccino® blended beverages to Nestlé quality standards using the correct equipment, small wares, authorized ingredients, and authorized recipes,**
- d. **Purchase and use all of the Starbucks Frappuccino® Products listed on Attachment A without substitution, except where a product is listed as optional. Attachment A may be changed from time to time with a written amendment signed by the authorized representatives of both parties,**
- e. **Prepare all Starbucks Frappuccino® blended beverages using the Nestlé approved blender (which has been approved and programmed specifically for Starbucks Frappuccino® blended beverages) and,**
- f. **To achieve Nestlé quality standards, each Account is required to use ice types approved by Nestlé which include "cubelet half cube or half dice" or "full cube or full dice" as set forth on Attachment B, which may be changed from time to time with a written amendment signed by the authorized representatives of both parties. NO OTHER ICE IS PERMITTED.**

3. Customer acknowledges that the name Starbucks Frappuccino® blended beverage is a registered trademark of Nestlé ("Frappuccino Trademark") and agrees that it shall only use such Frappuccino Trademark in conjunction with the authorized sale of Starbucks Frappuccino® blended beverages in accordance with the terms of this Frappuccino Addendum, or as otherwise agreed in advance in writing by Nestlé. Each Account may use, and no prior approval shall be required for, packaging, signs, promotional materials or the like prepared by Nestlé for use by Accounts in foodservice operations in connection with the sale of Starbucks Frappuccino® blended beverages. Any other proposed use of the Frappuccino Trademark, including use in advertising, packaging, labels, or signs, shall be submitted to Nestlé for review and prior approval in writing. Any proposed use of the Frappuccino Trademark submitted to Nestlé and not so approved in writing within thirty (30) days after receipt shall be deemed to have been disapproved. All actual uses of the Frappuccino Trademark shall accurately reproduce the Trademark in its approved form and shall not depart therefrom without Nestlé prior written consent.

IN WITNESS WHEREOF, the parties hereby execute this Frappuccino Addendum by their respective Authorized Representatives as of the date first written above.

CUSTOMER:

Signature Karen S. Spiegel

Name KAREN SPIEGEL

Title CHAIR, BOARD OF SUPERVISORS

NESTLÉ USA, INC.

DocuSigned by:
Signature: Joel Kline
D828D7C286D94D8

Name: Joel Kline

Title: Vice President US Field Sales

ATTEST:

KECIA R. HARPER, Clerk

By [Signature]
DEPUTY

Attachment A
Starbucks Frappuccino® Blended Beverages

REQUIRED FOR ALL FRAPPUCCINO ACCOUNTS

All Accounts must serve at minimum a 16oz Grande size Frappuccino® blended beverage using the authorized Starbucks® recipes and Starbucks® ingredients (as listed in the recipes).

The below equipment, small wares, and products support all three Frappuccino® blended beverage sizes and the core beverage offerings.

Equipment:

VITAMIX BLENDER W/COVER (The Quiet One®)

Small wares to be purchased from Nestlé:

PITCHER DAIRY W/ BLADE/ LID VM (2)

PITCHER SOY W/ BLADE/ LID VM (1)

FOUNTAIN JAR SHALLOW PLASTIC

SBUX PUMP METAL FOR SOLUBLE COFFEE FRAPPUCCINO

SBUX PUMP FRAPPUCCINO SYRUP FRAPPUCCINO

MEASURING CUP/TUMBLER (OPTIONAL)

SCOOP 16OZ ICE GRANDE

SCOOP 12OZ ICE TALL*

SCOOP 24OZ ICE VENTI*

SCOOP TOWER – Required if serving more than 1 beverage size

TEASPOON SCOOP

(1) Required for each Dry Inclusion Dispenser

DRY INCLUSION DISPENSER

(1) Required if serving the Vanilla Bean Frappuccino® blended beverage

(1) Required if serving the Java Chip Frappuccino® blended beverage

WHIP CREAM DISPENSER PROFÍ ISI

CHARGERS N20 FOR WHIP CREAM DISPENSER

Authorized Beverage Products:

SBUX EXTRACT FRSC

SBUX SYRUP COFF FRAP

SBUX SYRUP CRÈME FRAP

SBUX VANILLA BEAN POWDER

SBUX STRAWBERRY JUICE

SBUX SOY MILK VANILLA ORGANIC

SBUX COCONUT MILK

SUB ALMOND MILK UNFLAVORED

FONTANA™ VANILLA SYRUP

FRAPPUCCINO CHIPS

FONTANA™ CARAMEL SYRUP

FONTANA™ CARAMEL SAUCE

FONTANA™ BITTERSWEET CHOCOLATE SAUCE

FONTANA™ WHITE CHOCOLATE SAUCE

FONTANA™ CLASSIC SYRUP

* The appropriate size must be ordered to match the Frappuccino® blended beverage size being served

Attachment B Ice Type Guideline

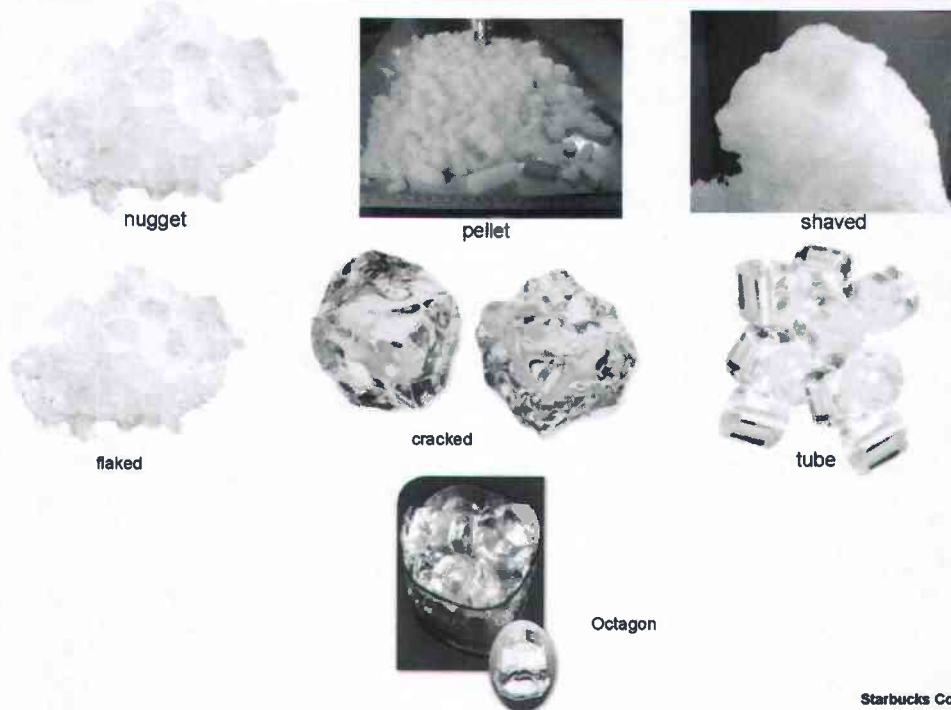
Ice Type Guideline

- The type of ice approved for Starbucks beverages is **Cube and Crescent cube ice**. Types of non-approved ice include nugget, pellet, shaved, flake, tube, octagon or any other non-cube/crescent style ice.
- The shape of the Starbucks ice is a square or rectangle that is solid and does not have a hole in the center
- Individual cubes should be separated from or easily separable from other cubes



Starbucks Confidential

Non-Qualified Ice Type – Visual Examples



Starbucks Confidential



Date: June 2, 2021

From: Jennifer Cruikshank, CEO

To: Board of Supervisors/Purchasing Agent

Via: Richard Oluoha, RUHS Food and Nutrition Services Dept.

Subject: Sole Source Procurement; Request for Nestlé Starbucks- Foodservice Supply Program

The below information is provided in support of my Department requesting approval for a sole or single source. (*Outside of a duly declared emergency, the time to develop a statement of work or specifications is not in itself justification for sole or single source.*)

1. Supplier being requested:

2. Vendor ID: 23667

3. Single Source Sole Source
 (*Single Source - is a purchase of a commodity or service without obtaining competitive bids although more than one source is available*)

(Sole Source - is a purchase of a commodity or service that is proprietary or no other vendor is qualified or willing to meet the county specified requirements)

4. Have you previously requested and received approval for a sole or single source request for this vendor for your department? (*If yes, please provide the approved sole or single source number.*)

Yes No
 SSJ# _____

4a. Was the request approved for a different project?

Yes No

5. Supply/Service being requested:

(If this request is for professional services, attach the service agreement to this sole source request. The Purchasing Agent, or designee, is the signing authority for agreements unless the service is exempted by Ordinance 459, Board delegated authority or by State law. All insurance requirements must be met prior to work commencement. See the Risk Management website for vendor insurance requirements.)

The Food & Nutrition Services (F&N) Department at Riverside University Health System (RUHS) has engaged Nestlé USA, Inc. for proprietary Starbucks coffee products, supplies and promotional materials in association with the Nestlé Foodservice Supply Program, pursuant to the Supply and Distribution Agreements and Trademark License Agreements, form 8-K, United States Securities and Exchange Commission dated August 28, 2018 (separately attached). The five (5) year Letter Agreement with Nestlé will require board approval with a total contract amount of \$425,000.

- 6. Unique features of the supply/service being requested from this supplier. (If this sole source request is due to proprietary software or machinery, or hardware, provide a supporting letter from the manufacturer. If this is a single source request provide an explanation of how this provides the best value for the County by selecting this vendor.)**

Starbucks is one of the world's leading coffee brand and chain. Its products, logo and signage are proprietary which can only be used after being licensed by Starbucks. Currently, Nestlé has been approved as a licensed supplier of Starbucks products and services. On August 26, 2018, Starbucks and Nestlé USA, Inc. entered into the Initial Supply and Distribution Agreements, pursuant to which, among other things, the Company appointed Nestlé as its exclusive distributor (subject to certain exceptions) to market, sell and distribute certain Products in the Initial Territories within the Licensed Channels, per United States Securities and Exchange Commission dated August 28, 2018 (separately attached).

Some of the unique features offered by Starbucks include 1) more than 87,000 drink combinations, 2) marketing and promotional support, 3) support for staff training, 4) brand recognition by customers and 5) expanded tea offerings through its Tazo Tea brand.

<https://stories.starbucks.com/press/2018/nestle-and-starbucks-close-deal/>

- 7. Reasons why my department requires these unique features from the vendor and what benefit will accrue to the county:**

RUHS utilizes Starbucks products and promotional materials for its stand-alone coffee shop at the main hospital cafeteria and Education Building/Caterings locations. The coffee shop is a revenue generating service line for RUHS Medical Center.

Starbucks has brand recognition and a strong reputation for quality coffee products. Customers are more likely to spend on products when it is a brand that they recognize and trust. The County can benefit from this through increased retail sales from our Starbucks branded stand-alone coffee shop. Additionally, the offering of Starbucks products at RUHS will help to further enhance the patient and visitor experience.

- 8. Period of Performance:** From: July 1, 2021 to June 30, 2026
(total number of years)

Is this an annually renewable contract? No Yes

Is this a fixed-term agreement: No Yes

(A fixed-term agreement is set for a specific amount of time; it is not renewed annually. Ensure multi-year fixed-term agreements include a cancellation, non-appropriation of funds, or refund clause. If there is no clause(s) to that effect, then the agreement must be submitted to the Board for approval. No exemptions shall apply.)

9. Identify all costs for this requested purchase. In addition, please include any single or sole source amounts previously approved and related to this project and vendor in the section designated below for current and future fiscal years. You do not need to include previous fiscal year amounts. If approval is for multiple years, ongoing costs must be identified below. If annual increases apply to ongoing costs such as CPI or other contract increases, provide the estimated annual cost for each consecutive year. If the annual increase may exceed the Purchasing Agent's authority, Board approval must be obtained. (Note: ongoing costs may include but are not limited to subscriptions, licenses, maintenance, support, etc.)

Description:	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26	Total
Ongoing Costs:	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$425,000
Coffee Products and supplies						
Previous SSJ Approved Amounts:	N/A	N/A	N/A	N/A	N/A	
Total Costs	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$425,000

Note: Insert additional rows as needed

10. **Price Reasonableness:** (Explain why this price is reasonable or cost effective – were you provided government discounted pricing? Is this rate/fee comparable to industry standards?)

This Letter Agreement includes a 7% discount on all Starbuck Coffee Products and free training to RUHS F&N staff members involved in coffee preparation.

Additionally, the Food & Nutrition Services retail pricing will be based on product costs and we aim to achieve 40% food cost or better, which means 60% would be revenue for the hospital.

11. **Projected Board of Supervisor Date (if applicable):** June 22, 2021
(Draft Form 11s, service agreement and or quotes must accompany the sole source request for Purchasing Agent approval.)



Jennifer Cruikshank Jun 3, 2021

Department Head Signature
(or designee)

Print Name

Date

The section below is to be completed by the Purchasing Agent or designee.

Purchasing Department Comments:

Approve

Approve with Condition/s

Disapprove

Condition/s:

APPROVED FOR 5yr term. Prior to expiration
Dept must Review market to determine if
the Single Distributor condition still exists;
OR IF other sources have entered the marketplace.
pend. BOS & County counsel

Not to exceed:

One-time \$ _____

Annual Amount \$ 85,000 / per fiscal year through 6/30/26 (date)
(If Annual Amount Varies each FY)

FY _____ : \$ _____
FY _____ : \$ _____
FY _____ : \$ _____
FY _____ : \$ _____
FY _____ : \$ _____

Suzanna Hinckley

[Signature]
Purchasing Agent

Date

22-007
Approval Number
(Reference on Purchasing Documents)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 26, 2018

Starbucks Corporation
(Exact name of registrant as specified in its charter)



Washington
(State of
Incorporation)

0-20322
(Commission
File Number)

91-1325671
(IRS Employer
Identification No.)

2401 Utah Avenue South,
Seattle, Washington 98134
(Address of principal executive offices) (Zip Code)

(206) 447-1575
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.01. Completion of Acquisition or Disposition of Assets

On August 26, 2018, Starbucks Corporation, a Washington Corporation (the "Company") consummated the previously announced transactions under the Transaction Agreement, dated as of May 6, 2018 (the "TA"), by and between the Company and Nestlé S.A., a *société anonyme* organized under the laws of Switzerland ("Nestlé"), including: (i) the sale by the Company to Nestlé of all of the assets exclusively used or exclusively held for use in the Company's business of marketing, selling and distributing Starbucks, Starbucks Reserve, Teavana, Seattle's Best Coffee, Starbucks VIA and Torrefazione Italia branded products in consumer packaged goods and foodservice channels and the assumption by Nestlé of certain liabilities related thereto (such sale and assumption, the "Asset Transfer") and (ii) the entry by the Company and Nestlé (and, in certain instances, their respective affiliates) into (A) a Master Supply, Distribution and Licensing Agreement (the "MSDLA"); (B) certain Supply and Distribution Agreements (the "Initial Supply and Distribution Agreements"); (C) certain Trademark License Agreements (the "Initial Trademark License Agreements"); and (D) a Transition Services Agreement (the "Transition Services Agreement") and, together with the TA, the MSDLA, the Initial Supply and Distribution Agreements, the Initial Trademark License Agreements, the "Transaction Agreements").

Pursuant to the terms of the TA and the MSDLA, at the closing of the Asset Transfer (the "Closing"), Nestlé paid the Company \$7,150,000,000 in cash, consisting of the following payments: (i) under the TA, a base purchase price of \$330,000,000 and an inventory markup of \$20,000,000; and (ii) the remaining balance in consideration for entry into the MSDLA, the Initial Supply and Distribution Agreements, the Initial Trademark License Agreements and the rights granted to Nestlé and its affiliates thereunder.

The foregoing description of the TA and the transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the full text of the TA, which was attached as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 7, 2018, and is incorporated by reference herein.

The unaudited pro forma financial information giving effect to the transactions contemplated by the TA is filed herewith as Exhibit 99.2.

Item 7.01 Regulation FD Disclosure

The Company's previously announced guidance for fiscal year 2018 of (1) GAAP EPS in the range of \$3.26 to \$3.28 and (2) non-GAAP EPS in the range of \$2.40-\$2.42 were based on the assumption that the transactions contemplated by the TA would be consummated on or after the final day of our 2018 fiscal year. As discussed during the Company's earnings call for the third fiscal quarter of 2018, the Company believes that the earlier-than-planned Closing of this transaction will negatively impact both fiscal year 2018 GAAP and non-GAAP EPS guidance ranges by \$0.02 to \$0.03 each.

As previously disclosed, the Company intends to use approximately \$5,000,000,000 in after-tax proceeds from the upfront payment to repurchase shares of its common stock in fiscal year 2019.

The upfront payment is largely expected to be amortized as revenue on a straight-line basis with an estimated economic life of 40 years. Additionally, the Company will receive ongoing economics through the sale of products and royalty payments, as discussed further below.

Please see below for a reconciliation of our GAAP to non-GAAP measures.

<u>Consolidated</u>	Year Ended
	Sept 30 2018 (Projected)
Diluted net earnings per share (GAAP)	\$3.26 - \$3.28
East China acquisition gain	(0.99)
Sale of Taiwan joint venture operations	(0.11)
Sale of Tazo brand	(0.25)
Restructuring, impairment and optimization costs ¹	0.14
CAP transaction and integration-related items ²	0.18
Sale of Brazil retail operations	0.01
2018 U.S. stock award ³	0.03
Nestlé transaction related costs	0.01
Other tax matters ⁴	0.12
Income tax effect on Non-GAAP adjustments ⁵	—
Non-GAAP net earnings per share	\$2.40 - \$2.42

- ¹ Represents restructuring, impairment and business optimization costs and inventory write-offs related to these efforts recorded within cost of sales including occupancy costs.
- ² Includes transaction costs for the acquisition of our East China joint venture and the divestiture of our Taiwan joint venture; ongoing amortization expense of acquired intangible assets associated with the acquisition of our East China joint venture and Starbucks Japan; and the related post acquisition integration costs, such as incremental information technology and compensation-related costs.
- ³ Represents incremental stock-based compensation award for U.S. partners (employees).
- ⁴ Represents the estimated impact of the U.S. Tax Cuts and Jobs Act, specifically the transition tax and undistributed foreign earnings and re-measurement of deferred taxes.
- ⁵ Income tax effect on non-GAAP adjustments was determined based on the nature of the underlying items and their relevant jurisdictional tax rates.

Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements relating to our fiscal 2018 and long-term financial targets. These forward-looking statements are based on currently available operating, financial and competitive information and are subject to a number of significant risks and uncertainties. Actual future results may differ materially depending on a variety of factors including, but not limited to, fluctuations in U.S. and international economies and currencies, our ability to preserve, grow and leverage our brands, potential negative effects of incidents involving food or beverage-borne illnesses, tampering, adulteration, contamination or mislabeling, potential negative effects of material breaches of our information technology systems to the extent we experience a material breach, material failures of our information technology systems, costs associated with, and the successful execution of, the company's initiatives and plans, including the integration of Starbucks Japan, the integration of East China, the success of our global coffee alliance with Nestlé and the closure of Teavana stores, the acceptance of the Company's products by our customers, our ability to obtain financing on acceptable terms, the impact of competition, coffee, dairy and other raw materials prices and availability, the effect of legal proceedings, the effects of changes in U.S. tax law and related guidance and regulations that may be promulgated, and other risks detailed in the company filings with the Securities and Exchange Commission, including the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2017. Except as required by law, the Company assumes no obligation to update any of these forward-looking statements.

Item 8.01. Other Events.

MSDLA

On August 26, 2018, in connection with the Closing, the Company and Nestlé entered into the MSDLA, pursuant to which, among other things, the parties agreed to the establishment of an overall framework for the distribution and supply relationship between the Company and Nestlé for the continued operation and global development of the consumer packaged goods and foodservice distribution channels as set out in the MSDLA (the "Licensed Channels") by Nestlé.

Supply and Distribution Agreements and Trademark License Agreements

Pursuant to the terms of the MSDLA, the Company and Nestlé: (i) concurrently with the execution of the MSDLA, entered into the Initial Supply and Distribution Agreements and the Initial Trademark License Agreements with respect to the U.S., Canada and certain countries in the European Union (the "Initial Territories"), and (ii) will enter into additional supply and distribution agreements and trademark license agreements with respect to additional international territories, in each case, among other things, for the supply of certain products to Nestlé, the appointment of Nestlé as the Company's exclusive distributor of certain products (the "Products") to consumer packaged goods and foodservice customers (subject to certain exceptions) and the grant of certain licenses with respect thereto in the respective territories provided therein.

Governance

Pursuant to the MSDLA, the parties agreed to establish an Operating Committee, a Brands and Business Committee and an Executive Oversight Committee as supervisory bodies to administer the relationship of the parties in relation to the matters covered by the MSDLA.

Manufacturing and Sourcing

For the Initial Territories, the Company will manufacture and package the Products at the Company's manufacturing sites. For all other territories, the party manufacturing and packaging each Product will be determined on the basis of the cost-effectiveness of such activities, provided that any Nestlé-manufactured Products must comply with the Company's quality standards and receive the Company's approval with respect to coffee and in-cup quality for each relevant Product.

The Company will generally retain sole control for sourcing green coffee beans for use in the manufacture of the Products containing roast and ground coffee beans. All other ingredients (other than green coffee beans) will be sourced by the party responsible for manufacturing and packaging the relevant Products.

Pricing

The Company will sell the Products to Nestlé at a price equal to (i) the Company's fully-landed costs plus an agreed upon mark-up for the Initial Territories and (ii) the Company's fully-landed costs for any other territory, except that no mark-up will apply to any equipment sales.

Termination and Change of Control

The MSDLA will remain in force unless terminated by: (i) mutual consent; (ii) either party for the other party's (A) unremedied material breach or (B) insolvency; (iii) the Company (A) for Nestlé's breach of its covenant not to acquire an interest in any business that owns or operates a certain number of retail coffee establishments in excess of specified percentages of the Company's retail coffee establishments within the applicable territories, or (B) if Nestlé or its affiliates challenge the validity, or the Company's or its affiliates' ownership, of certain Company trademarks licensed to Nestlé under the Initial Trademark License Agreements (the "Licensed Marks"); or (iv) Nestlé for the Company's breach of its covenant not to acquire a controlling interest in certain Nestlé competitors.

The Company may also terminate: (i) Nestlé's appointment in relation to certain territories or certain groups of territories, if Nestlé fails to meet certain net sales targets for a period of two consecutive years (however, for most territories this right will not arise until 10 years after Nestlé begins to distribute the Products in such territory), or (ii) Nestlé's rights in relation to certain Product categories and/or Licensed Channels in certain groups of territories, if Nestlé fails to launch certain Products within three years of an agreed upon launch plan, in both cases (i) and (ii), subject to certain exceptions (any such partial termination, a "Partial Termination"). In the case of a Partial Termination, Nestlé's rights in relation to the applicable territory, territory group, Product categories and/or Licensed Channels will terminate and, in certain circumstances, the Company will be required to make payments to Nestlé upon exercising the foregoing partial termination rights.

In addition, if a party enters into a definitive agreement resulting in such party being controlled by certain prohibited competitors (a "Change of Control Event"), the other party may elect to: (i) consent to such Change of Control Event; or (ii) terminate the MSDLA, in which case, the operating

rights and the related assets will revert to the Company upon the payment by the Company of a termination fee equal to the fair market value of such operating rights and related assets.

Any termination of the MSDLA (other than a Partial Termination) will result in all supply and distribution agreements and trademark license agreements (including the Initial Supply and Distribution Agreements and Initial Trademark License Agreements) being automatically terminated.

Initial Supply and Distribution Agreements

On August 26, 2018, in connection with the Closing, the Company and Nestlé (or, in certain instances, their respective affiliates) entered into the Initial Supply and Distribution Agreements, pursuant to which, among other things, the Company appointed Nestlé as its exclusive distributor (subject to certain exceptions) to market, sell and distribute certain Products in the Initial Territories within the Licensed Channels.

In consideration for the licenses granted pursuant to the Initial Trademark License Agreements, Nestlé will pay to the Company a monthly fee equal to the product of: (i) Nestlé's net sales of all Products in the Licensed Channels in the applicable territory during the relevant month; and (ii) the applicable royalty rate, which will vary by Product.

Termination

The Initial Supply and Distribution Agreements will continue in force unless terminated: (i) by mutual consent; or (ii) by either party: (A) upon the other party's unremedied material breach, (B) upon the other party's insolvency, (C) upon the other party's assignment of the agreement in violation of its terms, (D) upon the other party becoming a sanctioned person under applicable economic sanctions and export control laws, (E) if any rights, obligations, liabilities or benefits under the agreement or under the Initial Trademark License Agreements become prohibited under economic sanctions and export control laws, or (F) upon the other party's breach of its economic sanctions and export control or anti-bribery covenants under the agreement.

The Initial Supply and Distribution Agreements will also automatically terminate: (i) if the MSDLA is terminated; (ii) to the extent that the corresponding Initial Trademark License Agreement is terminated (including any Partial Termination under the MSDLA); or (iii) if the distributor entity ceases to be an affiliate of Nestlé and the Initial Supply and Distribution Agreement is not assigned to Nestlé within five business days of such event.

Initial Trademark License Agreements

On August 26, 2018, in connection with the Closing, the Company and Nestlé (or, in certain instances, their respective affiliates) entered into the Initial Trademark License Agreements, pursuant to which, among other things, the Company granted to Nestlé certain licenses related to the Licensed Marks in connection with the marketing, sale and distribution of the Products in the Initial Territories pursuant to the Initial Supply and Distribution Agreements.

Termination

The Initial Trademark License Agreements will continue in force unless terminated: (i) by mutual consent; or (ii) by either party: (A) upon the other party's unremedied material breach, or (B)


upon the other party's insolvency. In addition, the applicable Company affiliated licensor (the "Licensor") may terminate the applicable Initial Trademark License Agreement: (i) upon the Nestlé affiliated licensee's (the "Licensee") assignment of the agreement in violation of its terms; (ii) if the Licensee or its affiliates makes unauthorized uses of the Licensed Marks and such unauthorized use is not remedied following notice; (iii) if the Licensee fails to take action against any of its sublicensees (including its Authorized Distributors or Authorized Suppliers, as defined under the Initial Trademark License Agreements), employees, representatives or contractors who makes any unauthorized use of the Licensed Marks and such unauthorized use is not remedied or subject to active enforcement efforts following notice; or (iv) if the Licensee or its affiliates challenge the validity, or the Licensor's and/or its affiliates's ownership, of the Licensed Marks. In addition, the Initial Trademark License Agreements will automatically terminate: (i) if the MSDLA is terminated; (ii) to the extent that the corresponding Initial Supply and Distribution Agreement is terminated (including any Partial Termination under the MSDLA); or (iii) if the Licensee ceases to be an affiliate of Nestlé and the Initial Trademark License Agreement was not assigned to Nestlé or an affiliate of Nestlé prior thereto.

Press Release

On August 28, 2018, the Company issued a press release announcing the completion of the transactions contemplated by the TA. A copy of the press release is attached as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

	
99.1	<u>Press Release, dated as of August 28, 2018</u>
99.2	<u>Unaudited Pro Forma Financial Information</u>

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

STARBUCKS CORPORATION

Dated: August 28, 2018

By: s Scott Maw
 Scott Maw
 executive vice president, chief financial officer



Nestlé and Starbucks close deal for the perpetual global license of Starbucks Consumer Packaged Goods and Foodservice products

Vevey and Seattle, 28 August 2018 – Nestlé and Starbucks Corporation today announced the closing of the deal granting Nestlé the perpetual rights to market Starbucks Consumer Packaged Goods and Foodservice products globally, outside of the company's coffee shops.

Through the alliance, the two companies will work closely together on the existing Starbucks range of roast and ground coffee, whole beans as well as instant and portioned coffee. The alliance will also capitalize on the experience and capabilities of both companies to work on innovation with the goal of enhancing its product offerings for coffee lovers globally.

"This partnership demonstrates our growth agenda in action, giving Nestlé an unparalleled position in the coffee business with a full suite of innovative brands. With Starbucks, Nescafé and Nespresso we bring together the world's most iconic coffee brands," said Mark Schneider, Nestlé CEO. "The outstanding collaboration between the two teams resulted in a swift completion of this agreement, which will pave the way to capture further growth opportunities," he added.

The agreement significantly strengthens Nestlé's coffee portfolio in the North American premium roast and ground and portioned coffee business. It also unlocks global expansion in grocery and foodservice for the Starbucks brand, utilizing the global reach of Nestlé.

"This global coffee alliance with Nestlé is a significant strategic milestone for the growth of Starbucks," said Kevin Johnson, president and ceo of Starbucks. "Bringing together the world's leading coffee retailer, the world's largest food and beverage company, and the world's largest and fast-growing installed base of at-home and single-serve coffee machines helps us amplify the Starbucks brand around the world while delivering long-term value creation for our shareholders."

Approximately 500 Starbucks employees in the United States and Europe will join the Nestlé family, with the majority based in Seattle and London. The international expansion of the business will be led from Nestlé's global headquarters in Vevey, Switzerland.

The agreement covers Starbucks packaged coffee and tea brands, such as Starbucks[®], Seattle's Best Coffee[®], Starbucks Reserve[®], Teavana^{™/MC}, Starbucks VIA[®] Instant, Torrefazione Italia[®] coffee and Starbucks-branded K-Cup[®] pods. It excludes Ready-to-Drink products and all sales of any products within Starbucks[®] coffee shops.

Forward-Looking Statements

Certain statements contained herein are "forward-looking" statements within the meaning of the applicable securities laws and regulations. Generally, these statements can be identified by the use of words such as "anticipate," "expect," "believe," "could," "estimate," "feel," "forecast," "intend," "may," "plan," "potential," "project," "should," "will," "would," and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements are based on information available to Starbucks as of the date hereof, and Starbucks actual results or performance could differ materially from those stated or implied, due to risks and uncertainties associated with its business. These risks and uncertainties include, but are not limited to,