Fleming™

QTG QUAKER TROPICANA GATORADE SALES

QUAKER Tropicana Gatorade

Preferred Supplier Agreement

Fleming /The Quaker Sales Company

July 10, 2002

Agreement Components

Agreement Components:

The Quaker Sales Company will pay Fleming Inc. a total of $3,072,600 from July 1 - December 31 for the purpose of renewal of the Quaker Company's Preferred Vendor Status with the Fleming Company. This includes the addition of Quaker's Tropicana Brands under the Preferred Vendor Status. This sum will be paid to Fleming in the form of 6 equal payments (net amount of payments is listed on page #10 of this agreement).

Payments are dependant upon the following criteria being met:

- **Shipped volume from the Quaker Company to Fleming must be equal to or greater than $74,000,000 for the 6 month period of July 1 through December 31, 2002 for the full $3,072,000 in payments to be made. This sales comprises the forecasted shipments (with shipments to Kmart and Target subtracted from the total) to all Fleming Divisions for the 6 month period, with the exception of the following PSC's, which will be considered excluded from this agreement: Milwaukee (Grocery PSC), Minneapolis, Marshfield, Altoona, Chicago, Ft Wayne, South Brunswick, Pencader, Kentucky, Lubbock (C-Store Division only), Head Distributing,and all Core-Marc Divisions.**
- **Elimination of all fees (as stated in the Fleming Vendor Policy Manual - 5/01/01) with the exception of items included in Appendix A.**

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•Elimination of all new item placement and distribution-related (slotting) charges. This includes Rainbow - Texas stores (supplied from Garland and Lubbock PSC's), Food 4 Less, Yes-Less, and all store formats owned and operated under the management of the Fleming Retail Group (with the exception of Rainbow Minneapolis and Milwaukee).

•Authorize and ship all new items within the first 3 weeks of availability, to all targeted PSC's. This includes the assigning of code numbers and shipment to retail under the Fleming's "First-To-Market" program. The Quaker Company agrees to work in concert with Fleming on proper analysis to accept new items, and to work in concert with Fleming to delete non-productive SKUs.

•Elimination of all ad fees for Fleming Negotiated Groups. (This includes Rainbow - Texas, Yes-Less, Food 4 Less Stores and all formats managed by the Fleming Retail Group, with the exception of Rainbow - Minneapolis and Milwaukee). Advertising support will be at least equal to the same period in 2001. Customers considered "Negotiated" are listed in Appendix #B.

•Quaker reserves the right to adjust the ad fee funding during this agreement, if any of the identified Fleming Negotiated Groups change or end their supplier relationship with Fleming during the contracted period. Any adjustment will be listed in writing, and will only occur with the mutual consent of James Harris, Eric Henkel, Steven Feidler, and Phil Murphy. There will be a 30 day written notice required for any change in funding.

•Quaker and Fleming mutually agree to meet every 30-days to resolve outstanding deduction issues and to update the other party on sales projections for the remainder of the 6-month contractual period. Both parties agree that items identified as warranting repayment will be repaid within 30 days of each meeting, or deducted from the following PVA payment.

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•Fleming agrees to provide Quaker Sales back-up to any deduction within 15 days of first contact by Quaker. Cooperative resolution of the outstanding deductions will take place within a period of 30 days from the date of first contact with Fleming, with Quaker adhering to the following resolution process:

•15 days from deduction:	Fleming forwards back-up to deduction.
•30 days from deduction:	Quaker responds to deduction, via standing 30-day appointment.
•45 days from deduction:	Deductions identified as warranting repayment by both Fleming and Quaker identified.
•60 days from deduction:	Repayment made on identified deductions, or reduction made in future PVA payments as a form of resolution.

•Post Audit Management: Post Audit deductions will only be allowed for Appendix "A" type deductions.

•Self Negotiating Splinter Groups will remain self-funded for this agreement. Self-Negotiated Groups are identified in Appendix #C.

•Both parties agree that K-Mart is excluded from this agreement. If K-Mart in the future wishes to join this alliance, this deal will be appropriately adjusted. Such adjustment requires the agreement of Kmart, Quaker, and Fleming. This includes Kmart-Only PSC's of Ft Wayne, South Brunswick, and Pencader.

•Both parties agree that Target is excluded from this agreement. If Target in the future wishes to join this alliance, this deal will be appropriately adjusted. Such adjustment requires the agreement of Target, Quaker, and Fleming.

•Both parties agree that the Fleming Retail Group (this includes the Rainbow -Texas, Yes-Less, and Food 4 Less stores) is included in this agreement. If FRG in the future wishes to withdraw from this alliance, this deal will be appropriately adjusted. Such adjustment requires the agreement of FRG, Quaker, and Fleming.

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•C Stores are excluded from this agreement. This includes all Fleming "C" store divisions. Currently those PSC's are Altoona, Marshfield, Kentucky, the Lubbock C-Store warehouse Head Distributing, and all Core-Marc Divisions.

•Per Fleming's request, the Hawaii and Minneapolis PSC's are not included in this agreement.

•Per Quaker's request, the Milwaukee PSC is not included in this agreement due to the request by Sentry Foods to be considered "Self-Negotiated" and the agreement to this by both Fleming and Quaker; and Minneapolis Division is excluded from this agreement.

•Quaker Sales Company will provide standard deal timing and deal rates.

•Quaker reserves the right to limit the amount of promotional dollars offered to Fleming on any given promotional event, either through the use of a flat-sum allowance (i.e. Vendor Services Income Account), or another equivalent Fleming program. These maximum amounts of promotional dollars will be identified, and agreed upon, by both parties in advance of the execution of any given promotional offer.

•Quaker Company will continue to staff support for (1) Category Review and discuss support of (2) VMI/CRP implementation for Fleming.

•Fleming will give preferred consideration for assignment of Category Captain for the Isotonic, Hot Cereal, Bagged Cereal, and the Chilled Juice and Drinks Categories.

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•Both parties agree to mutually reconcile and re-forecast the projected sales and PVA payments for the contractual period by November 1, 2002. If Quaker sales to Fleming (with Kmart sales and Target sales subtracted from the total) is forecasted to be less than the projected $74,000,000, then total spending for the PVA will be reduced by the forecasted difference multiplied by 4.0%. This amount will be reduced from the Period #12 and Period #13 payments.

•The Tropicana Brand of the Quaker Company's portfolio is to be considered as "Preferred Vendor Status" effective July 14, 2002. Fleming agrees to not bill Quaker for any Fixed Costs (i.e. Ad Fees, Slotting, etc.) currently scheduled to be incurred during the contractual period of July 1, 2002 through December 31, 2002. Any Fixed Costs that are deducted on the Tropicana Brand, or other Quaker Brands (which are prohibited in the PVA agreement) will be deducted from the PVA payments, or re-paid to Quaker within 30 days of first notification.

•This agreement is dependant upon cooperative resolution of the current $1,079,641.96 in Foods & Beverages chargebacks/deductions to the Fleming Company that Quaker has received from the period of 7/1/01 through 4/30/02. The resolution of this amount has been agreed upon in the following manner:

•$756,000	-Agreement by Fleming to <u>incrementally slot</u> 7 new Quaker items, with no incremental Slotting charges, in 2003. This amount will be reduced from any future 2003 PVA agreement. Items to be included will be identified and agreed upon by both Quaker and Fleming no later than 10/1/02. Distribution will include PSC's, and FRG/Food 4 Less stores included in the agreement.
•$323,642	- Remaining balance of deductions will be reduced from the 6 identified PVA payments in this agreement, in equal installments of $53,940

•This agreement is also dependant upon resolution of the current $1,250,000 in Tropicana deductions, that Quaker has agreed to delay reconciliation until the 2003 PVA agreement.

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- Fleming agrees to purchase all Quaker Company Branded products directly from the Quaker Company for the duration of the agreement period. Fleming also agrees not to cross-ship any Quaker products between any of its PSC's (this includes any PSC's on the Preferred Vendor Agreement, and PSC's not included in the PVA).
- Fleming agrees to not ship any Quaker Company Branded products from their PSC's to other customers who are currently purchasing their products directly from the Quaker Company
- Quaker agrees to pay the Fleming company a lump-sum "bonus" at the end of the contractual period for achieving certain growth targets. This lump sum will be paid no later than January 31, 2003 once the Quaker sales to Fleming (without Kmart and Target, less Military issues) are determined. "Bonus" payment will be paid via check. (See example of outlined bonuses on next page). The growth target for this agreement is $74,000,000, and is only available to PSC's listed in this agreement.
- Fleming agrees to not increase its inventory levels by more than 15% of the historical December shipment amount at the end of this agreement in order to qualify for this bonus (i.e. any "load-in" of inventory is limited to $2,000,000 or 2 wks Avg inventory for the month of December.

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- **Growth Bonus Financials:**

- **Quaker agrees to pay Fleming the following fixed lump-sum payments, for achieving the following sales targets (this is based on the original sales target of $74,000,000):**

	% Growth vs Target	Bonus Paid
$77,700,000	5.0% - 7.99%	$244,000 (5.0% Growth)
$79,920,000	8.0% - 9.99%	$317,000 (8.0% Growth)
$81,400,000	10.0% - 14.99%	$377,000 (10.0% Growth)

Agreement Components

Payment Timing:

The Quaker Foods & Beverages Company will pay Fleming at the end of fiscal periods, #8 through 13, in installments of $ 458,160. This sum was derived in the following manner:

	Total Amount	Period Amount (per 6 periods)
Total Amount offered on PVA:	**$3,072,600**	**$512,100**
Less unresolved Food & Beverage Deductions:	**($323,642)**	**($ 53,940)**
Net Amount of PVA payments:	**$2,748,958**	**$458,160**

- Payment dates coincide with the end of Fleming fiscal periods
- The Quaker Oats Company and Fleming agree to treat this agreement CONFIDENTIALLY. No rights or access to this information is permitted without the consent of both parties.

Agreement Components

Preferred Supplier Agreement:

- Fleming and The Quaker Foods & Beverages Company will adhere to all criteria in the Preferred Supplier Agreement and any breach of performance from either company will require immediate discussion and resolution, and can result in termination of the agreement. In this case, a sixty day notice will be given by either party in order to allow proper time to develop an alternative program, for managing the business.
- If performance is not met, payment terms would be adjusted accordingly.

Charlie C. Myers 9/30/02	Eric Henkel
Charlie Myers	Eric Henkel
V.P. Grocery - Procurement	Senior National Account Manager
Fleming	The Quaker Company.
9/13/02	Steven Feidler 9/19/02
Philip Murphy	Steven Feidler
Sr. Vice President - Procurement	Director Customer Development
Fleming	The Quaker Company

Fleming.

PREFERRED VENDOR AGREEMENT EXTENSION

Fleming and the Quaker Company agree to extend our current PVA agreement on the Quaker Foods and Beverage Products for 30 days (or January 28, 2003) until we can finalize our renewed PVA program. We agree funding will be in-line with the prior PVA agreement.

Fleming and the Quaker Company also agree to begin including the Tropicana Branded Products under the PVA agreement effective immediately, pending finalization of our renewed PVA program.

Date: 12/19/02

Eric Henkel
Quaker Foods & Beverages
Director, Customer Development

Date: 12/19/02

James Harris
Fleming Companies, Inc.
Category Director, Beverages

Period #1.

PREFERRED VENDOR AGREEMENT EXTENSION

Fleming and the Quaker Company agree to extend our current PVA agreement on the Quaker Food and Beverage Products for 30 days (or February 28), until we can finalize our renewed 2003 PVA program.

Date: 3/18/03	Date: 3/18/03
Steve Feidler	James Harris
Quaker Food and Beverages	Fleming Companies Inc.
Director Customer Development	Category Director, Beverages

Period #2

PREFERRED VENDOR AGREEMENT EXTENSION

Fleming and the Quaker Company agree to extend our current PVA agreement on the Quaker Food and Beverage Products for 30 days (or March 26), until we can finalize our renewed 2003 PVA program.

Date: 3/18/03	Date: 3/18/03
Steve Feidler	James Harris
Quaker Food and Beverages	Fleming Companies Inc.
Director Customer Development	Category Director, Beverages

Period #3