



January 18, 2022

Enrique Robles
Director of Operations
TEACH Public Schools
1846 W. Imperial Hwy,
Los Angeles, CA 90047

RE: Emergency Contract Amendment

Dear Enrique Robles,

On behalf of Better 4 You Meals, I would like to take this opportunity to thank you for our continued partnership with TEACH Public Schools.

The purpose of this letter is to request a temporary Emergency Contract Amendment to our current contract. Unfortunately, due to the industry wide inflationary cost increases our current meal rate is unsustainable and severely impacting our ability to continue providing your organization meals for the remainder of the school year. This request is a last resort. We have exhausted all cost cutting options and there appears to be no possibility in sight of continuing to provide high quality and nutritious meals to the students of TEACH Public Schools.

All across the United States, schools are seeing unprecedented COVID induced cost increases in food, packaging, labor, and transportation. Vendor and food manufacturer shortages of school compliant food items have led vendors to make more costly substitutions, which they then immediately pass on the increase to us. The small contract increase, we mutually agreed upon, from the past year do not come close to covering these increased costs, which is why the USDA has allowed Emergency Contract Pricing Amendments for School Food Authorities (SFA). B4YM's contract rate increases from last year averaged around 3%, yet food cost has surged almost 10% in the last 12 months and fuel has increased over 40%.

Because of the severity of the inflationary increases the government is projecting to continue, we are asking for your approval of the amendment effective with the January 1, 2022 billing cycle.

This request is aligned and allowable due to the COVID-19 National Public Health Emergency waivers authorized by the USDA. The USDA is allowing rate increases not in the original contract. This is also the reason your school is receiving substantially higher reimbursement rates this year through the Summer Food Service Program based reimbursement rates.

And on January 7th, 2022, the USDA announced the increased reimbursement rates effective January 1, 2022 through the end of the calendar year. In line with this increase, our request should have a net effect on your per meal cost of no more than \$.02 for breakfast and \$.13 for lunch.

The chart below shows what you have been reimbursed from July 1 to December 31, 2021, alongside what the new rates are effective January 1, 2022.



	July - December 31 2021	Jan 1, 2022 - Dec 31, 2022	Reimbursement Increase
Breakfast	\$2.7110	\$2.8037	\$0.0877
Lunch	\$4.5662	\$4.7362	\$0.17
Supper	\$4.3175	\$4.4875	\$0.17

These increased reimbursements and are intended to support the SFAs foodservice program during the USDA's these inflationary times. Fortunately, the USDA and state agencies now understand the SFAs with vendors can use these funds to support their vendor who is incurring the higher costs that are mutually agreed upon by both parties.

We encourage and recommend consulting your state board of education and legal counsel. The emergency contract amendment request will not exceed June 30, 2022 and would be effective January 1, 2022.

We have provided some of the inflationary data from various sources that is directly related to servicing your contract in the table below. It is important to note these dramatic increases have occurred since our contract renewal roughly 6 to 9 months ago.

The primary driver is food, fuel, and labor inflation which has risen at levels not seen in decades.

Inflation	Overview	Comments
Labor	Labor: Wage rates have increased 10.3%	Labor shortages have caused us to offer higher rates and provide bonuses to attract and retain employees. Growers, manufacturers, distributors have increased their pay rates to employees and now passing the cost on to us.
Food Costs	Food Costs at home and away have surged up to 10% since December 2020	Proteins (examples: beef, chicken, & turkey) have seen a 12 month increase in material costs of 9.0%. Fruits and Vegetables have increased dramatically. Items such as Baby Carrots have increased \$.18 per serving. Oranges have increased as much as \$.20 per serving and Apples are up \$.08. Grains like bread, tortillas, and whole grain snacks are up 12% Cereal cups are up 30% due to labor strikes at the major cereal manufacturers.
Paper and Packaging	Paper and packaging costs, plus mod costs have increased 11%	The cost of the tray is up \$.02 each - when available . Additionally, the availability of trays continues to be extremely limited due to supply chain and replacement items are more expensive.



Fuel	Fuel costs are up 58.1%	Distribution costs to schools have increased because of the higher fuel. We are paying significantly more for deliveries to our facilities and fuel costs for our own delivery trucks has surged significantly.
Misc. Costs		Supply chain interruptions and manufacturer product availability has caused greater direct costs as often substituted items are more expensive or result in additional costs to handle and deliver.

We are sensitive to the financial challenges of all our schools but also ask that you recognize the USDA has provided financial relief to the SFAs through the SFFP funding by increasing the meal reimbursements for these specific scenarios. This increase request does not necessarily mean that all current supply and vendor challenges will cease, but it will hopefully halt any further menu/variety constrictions or and allow us to be able to handle oncoming challenges that have yet to present themselves.

We waited until the new reimbursement increases were announced to help mitigate the impact of this amendment request. Historically, schools have never received a mid-year reimbursement increase when participating in the NSLP Program, but by receiving the Summer Food Service Program reimbursement, you are receiving a significant and unexpected rate surge. This amendment is just a bit more than the mid-year increase and we expect this would not negatively impact your food program's bottom line.

Better 4 You Meals has led the way in school food service throughout COVID, and we ask for this short-term adjustment to help us continue providing your students and families with the absolute best possible meal service around.

Following USDA guidance, a future renewal would not include this temporary increase and would be based on your current contractual rate.

Please review and upon approval, sign and return to us by January 30th, 2022. Signed amendments can be e-mailed to sholguin@better4youmeals.com or if you would like a DocuSign agreement emailed to you, please let Steven Holguin know as soon as possible. Your Procurement Manager at CDE likely will need a copy of this amendment as well.

Again, we thank you for the opportunity to serve TEACH Public Schools and we look forward to working with you and the children of TEACH Public Schools through the remaining year and for years to come. If you have any questions or concerns, please contact your district manager.

Sincerely,

Fernando Castillo
 Chief Executive Officer
 Better 4 You Meals



EMERGENCY CONTRACT AMENDMENT TEMPORARY AMENDMENT

Between Better 4 You Meals, Inc. and TEACH Public Schools

This agreement made on January 1, 2022 between **Better 4 You Meals Inc.**, and TEACH Public Schools is created for the purpose of amending the per meal rates of for the current service year.

WHEREAS, the parties entered into an Agreement dated for the 2021-2022 school year (the “Agreement”) whereby Better 4 You Meals would provide National School Lunch Program compliant meals to TEACH Public Schools at agreed upon per meal rates

WHEREAS, the current term of the Agreement expires on June 30, 2022; and

WHEREAS, the parties wish to AMEND the Agreement until June 30, 2022.

WHEREAS, The parties and acknowledge that this Emergency Covid Amendment is permitted under the rules and regulations of the USDA.

The Agreement is hereby amended for the period commencing January 1, 2022 and ending June 30, 2022.

Pricing

- a. Better 4 You Meals will charge TEACH Public Schools:

Meal Type	Meal Price
Breakfast	\$2.10
Lunch	\$3.30

This Agreement may be only renewed if the USDA waivers are extended beyond 6/30/2022 or as permitted by the USDA, and with mutual consent of both parties.

All other terms and conditions of the Agreement remain in full force and effect.

Name & Title of TEACH Public Schools Representative	Address
Signature	Date
Name & Title of Better 4 You Meals Representative Steven Holguin, Vice President of Sales & Marketing	Address 5743 Smithway St, Commerce, CA 90040
Signature	Date