

AGREEMENT

CONFIDENTIAL

THIS AGREEMENT is made and entered into the ____ day of _____, 2009 (the "Effective Date"), by and between **HILL'S PET NUTRITION, INC.**, a Delaware corporation with its principal place of business located at 400 SW 8th Avenue, Topeka, Kansas 66603 ("Hill's"), and **SANTA BARBARA COUNTY ANIMAL SHELTERS(3 LOCATIONS)**, with its principal place of business located at 5474 Overpass Rd., Santa Barbara, CA 93111-2034(the "Shelter").

WHEREAS, Hill's and the Shelter desire to enter into an arrangement whereby Hill's provides its Science Diet® pet food products and pet nutrition educational services to the Shelter in exchange for the Shelter feeding Hill's® Science Diet® pet foods exclusively to the canines and felines being cared for by the Shelter and distributing a small bag of Science Diet pet food with each canine or feline adoption;

NOW, THEREFORE, in consideration of the mutual agreements, covenants, and provisions contained herein, the parties agree as follows:

1. In-Shelter Feeding.

- (a) Hill's shall provide certain Hill's Science Diet pet food products free of charge to the Shelter for the sole purpose of (i) feeding all canines and felines being cared for by the Shelter ("In-Shelter Feeding"), and (ii) feeding personal pets of Shelter's staff ("Staff Feeding").
- (b) The type and quantity of Science Diet pet food provided each week by Hill's to the Shelter for In-Shelter Feeding and Staff Feeding (the "Complimentary Products") shall be in accordance with the Shelter's standing order (the "**Complimentary Products Standing Order**") set forth in **Appendix A** attached hereto. (See **Appendix C** for a 12-month forecast based upon Shelter's Complimentary Products Standing Order.) Hill's reserves the right to substitute the specific Science Diet pet food products that Shelter normally orders, with nutritionally equivalent Science Diet pet food products at any time.
- (c) Hill's acknowledges that unforeseen business conditions may require the Shelter to request an increase in the free food allotment. Increases need to be mutually agreed upon.
- (d) The Shelter acknowledges that the Complimentary Products are for In-Shelter Feeding and Staff Feeding only and covenants and agrees that it shall not resell or redistribute them.
- (e) Shelter agrees to pay Hill's for shipping and handling costs at the rate of thirty-five cents (\$0.35) per pound for the Complimentary Products. Such payment shall be made pursuant to Section 7 of this Agreement.

2. Shelter's Distribution of Hill's Science Diet Pet Foods to Adopters. The Shelter covenants and agrees that it shall provide to each adopter of a canine or feline from its population, one 3.5- to 5-pound bag of any Science Diet pet food product listed in **Appendix B** ("Small Trial Bags"). The Shelter shall order from Hill's, at no cost, the number of Small Trial Bags adequate to fulfill its obligation to provide a Small Trial Bag to each adopter. The number of Small Trial Bags ordered by the Shelter shall be in accordance with the Shelter's **Small Trial Bags Standing Order** set forth in **Appendix B** attached hereto. (See **Appendix C** for a 12-month forecast based upon Shelter's Small Trial Bags Standing Order.) Small Trial Bags are to be used by Shelter for adoptions only; any other use is prohibited.

3. Hill's Obligations. Hill's will give Shelter exclusive access to Hill's Shelter Web Portal (the "Portal"). This unique Portal provides access to a library of relevant information, such as articles, links to important organizations and other shelter resources. Additionally, it allows the Shelter to manage and monitor all food and promotional material orders as well as conveniently submit adopter names and information. Log-in and password information will be provided by Hill's.

4. Shelter's Obligations. Shelter hereby covenants and agrees that, in addition to any other obligation it has under this Agreement, Shelter will abide by the following:

- (a) throughout the term of this Agreement, prominently and exclusively display Hill's pet food products in its reception/adoption area;

- (b) prominently display in its reception area and, as appropriate, on animal cages, Hill's Science Diet brand point-of-purchase materials and other collateral materials provided by Hill's, and in the event Shelter publishes a newsletter, Shelter agrees to include in such newsletter the Science Diet logo along with a statement that Shelter feeds Science Diet pet foods;
 - (c) in the event that Shelter maintains a website, prominently promote and display on Shelter's website landing page the Science Diet logo with an active link to Hillspet.com, and promote that Shelter is exclusively feeding and recommending Science Diet brand pet food; website changes will be made within sixty (60) days of Agreement being signed;
 - (d) work with Hill's in a good faith effort to ensure that at least fifty percent (50%) of its staff successfully completes the Hill's Pet Nutritional Counselor ("SNC") program;
 - (e) provide to Hill's by the first Friday of each month, the name, address, adoption date, phone, e-mail, pet breed, pet date of birth, and pet name for all new adopters of canines and/or felines who have specifically consented to the release of this information for Hill's exclusive use in providing them with product coupons and information (the "Adopter Information"), with such Adopter Information to be provided in an electronic format acceptable to Hill's;
 - (f) during the term of this Agreement, not promote, display, distribute, endorse, or feed any pet food products other than Hill's® Science Diet® and/or Hill's® Prescription Diet® brand pet foods; with the exception that Shelter may redistribute other brands of donated pet food products so long as such redistribution does not constitute direct or implied endorsement of such donated product;
 - (g) maintain its current status as a 501(c)(3) not-for-profit organization or as a governmental entity, and notify Hill's immediately of the actual or threatened revocation of that status;
 - (h) house all pets cared for by Shelter in a safe, caring, clean and socially-enriched environment;
 - (i) not treat any animals in an abusive or inhumane manner;
 - (j) educate adopters about caring for the pet and responsible pet ownership;
 - (k) provide Hill's with a delivery address of either a physical shelter with a business sign and posted operating hours, a veterinary clinic, or a pet-related business;
 - (l) have a veterinarian on staff or sponsoring veterinarian who provides on-going healthcare for the animals; and
 - (m) provide Hill's with right of first refusal for all pet food sponsorships.
5. Incentives to Shelter. Shelter may be eligible for a cash rebate on the shipping and handling costs paid to Hill's pursuant to Section 1 of this Agreement (the "Incentive"). The Incentive will be based on Shelter's level of compliance with the performance criteria detailed in **Appendix D** and, if Shelter is compliant, paid to Shelter at the end of each quarter following the evaluation quarter. The amount and continuation of the Incentive: (a) will be determined solely by Hill's, (b) will be based on compliance levels, and (c) will be subject to annual review by Hill's. There will be three compliance levels as outlined in **Appendix D**.
6. Term and Termination.
- (a) This Agreement shall become effective upon the date first above written and shall remain in effect for a one (1) year trial period, at which time the Agreement shall automatically renew for a period of two (2) additional years if performance criteria have been met, unless earlier terminated as provided herein. This Agreement may be terminated at any time during the initial one-year trial period or two-year renewal period:
 - (i) by either party, for any reason or no reason whatsoever, upon the delivery of thirty (30) calendar days' written notice to the other party;
 - (ii) by either party, immediately upon written notice to the other party if Hill's ceases doing business, becomes insolvent, makes a general assignment for the benefit of creditors, has a receiver appointed for its assets, or an order has been made for its "winding-up" or if the Shelter loses its status as a 501(c)(3) not-for-profit organization or governmental entity; or

(iii) by Hill's, if Shelter breaches its material obligations including, but not limited to, nonpayment or any other obligations under section 1, section 2, section 4(a), (e), (f), (g), (h), (i), (k), (l) or (m), or section 7, effective upon written notice of such breach to Shelter; or

(iv) by Hill's, if Shelter's account remains inactive for a minimum of three months, effective upon written notice to Shelter.

(b) Upon the expiration or termination of this Agreement, Hill's shall cease providing the pet food products under Sections 1 and 2 herein, and the Shelter shall within 30 days thereof pay any outstanding amounts owed to Hill's for shipping and handling costs described in Section 1. Additionally, the Shelter shall return to Hill's or, at Hill's discretion, make available for pick up by Hill's or its designated agents, any Hill's display rack and remaining point-of-purchase and other collateral materials which Hill's had provided to the Shelter.

7. Terms.

(a) Hill's sales company, Hill's Pet Nutrition Sales, Inc. ("Hill's Sales"), will invoice Shelter for the shipping and handling costs set forth in Section 1 above, and Shelter shall remit payments to Hill's Sales.

(b) The terms for Hill's pet food products ordered pursuant to Sections 1 and 2 of this Agreement shall be those set forth in **Appendix E** attached hereto and incorporated by reference.

(c) Nothing in this Agreement shall prohibit Shelter from purchasing Hill's Science Diet pet foods (other than those in Appendix A and B) and Hill's Prescription Diet pet foods through Hill's normal sales channels. Shelter agrees such products are not purchased for resale and that such products will not be re-sold unless Shelter is an approved Hill's retailer.

8. Confidentiality. The Shelter agrees that, to the extent permitted by law, it shall maintain in confidence and shall not disclose to any third party the terms of this Agreement without the prior written consent of Hill's.

9. Audit. Upon reasonable notice and within the Shelter's normal business hours, Hill's shall have the right to audit and inspect the Shelter's facilities, books, documents, papers and records relating to the order, use and re-distribution of Hill's pet food products and, if applicable, the use and maintenance of the Hill's display rack.

10. Indemnification. Each party (as indemnitor) agrees to indemnify and hold the other party (as indemnitee) harmless against and from any and all losses, claims, damages or liabilities, joint or several, to which the indemnitee may become subject as the result of acts or omissions, by the indemnitor in connection with the performance of the indemnitor's duties under this Agreement or as the result of its material breach of any representation, warranty, covenant or agreement pertinent to this Agreement. This indemnity provision shall survive the termination of this Agreement.

11. Assignment. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto, provided, however, neither party to this Agreement shall assign its interest or obligations herein, including, but not limited to, the assignment of any monies due and payable, without the prior written consent of the other party, which consent shall not be unreasonably withheld.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Kansas without regard to its principles governing conflicts of law.

13. Waiver. No failure by either party hereto at any time to require performance by the other party of any of the conditions, terms, or provisions of this Agreement shall in any way affect such party's right thereafter to enforce the same or any other condition, term or provision of this Agreement; nor shall any waiver by either party of any breach of this Agreement, or of any term, condition, or provision hereof, be taken as or held to be a waiver of any subsequent breach, or of the right to terminate this Agreement for any subsequent breach of the same or any other condition, term, or provision of this Agreement.

14. Entire Agreement. This Agreement embodies the entire agreement of the parties in relation to the subject matter hereof and supersedes all previous agreements, arrangements and understandings, verbal or otherwise, in relation thereto. There are no representations, either oral or written, upon which either party relies as an inducement to enter into this Agreement other than those set forth herein. Except as expressly provided herein, no change in, addition to, or deletion from any portion of this

Agreement shall be valid or binding upon the parties unless it is declared expressly to be a modification of this Agreement and is approved as such in writing by each party.

15. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

HILL'S PET NUTRITION, INC.

SANTA BARBARA COUNTY ANIMAL SHELTERS

By: _____

By: _____

Print Name: Stefano Pettinella

Print Name: _____

Title: SD Marketing Director

Title: _____

Appendix A
DEFAULT SHEET IN-SHELTER FEEDING

Shelter Name: Santa Barbara County Animal Shelter
 Address: 5473 Overpass Rd
 City: Santa Barbara State: CA Zip: 93111-2034
 Contact: Jan Glick Phone: (805)681-5283 Fax: -

Calculating In-Shelter Free Food Order

1 Average number of animals housed daily:

	# of Canines	# of Felines	Grand Total of Pounds fed
Number	261	366	
Avg. # of Pounds	200	50	
Total # of Pounds	52,200	19,300	71,500
% by Species	73%	27%	

	Canines	Felines	Total
Total Annual lbs. Fed:	52,200	19,300	71,500

2 Total In-Shelter Feeding Needs per Week by product Dog/Cat:

Total # of Canine Pounds	1,004
Total # of Feline Pounds	371
Total # Pounds	1,375

3 In-Shelter Weekly Feeding Needs by Lifestage

Species	SKU#	Lifestage	Bag Size	Pounds	# of Units	Actual Spill (%)
Canine:	7176	Puppy	50	203.8	4.08	20%
	6960	Dog	50	800.0	16.00	80%
Feline:	7127	Kitten	25	92.3	3.69	25%
	6955	Cat	25	278.8	11.15	75%

Orders are automatically processed weekly unless otherwise requested by the shelter prior to the weekly order deadline. For information on your specific order deadline or to adjust standing In-Shelter order, call 1-866-283-1217.

Appendix B
 DEFAULT SHEET SMALL BAG TRIAL

Santa Barbara County Animal Shelter

Calculating Consumer "Small Trial Bag" Shipments

1 Number of Animals Adopted Annually

		Annual # of Adoptions			Annual # of Adoptions
Canine:	Puppy	466	Feline:	Kitten	684
	Dog	1,087		Cat	1,327
Total Dogs:		1,553	Total Cats:		2,011
		44%			56%

Total Adoptions:	3,564
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2 Total Small Trial Bag Needs per Week by product Canine/Feline:

		Bags per Week			Bags per Week
Canine:	Puppy	8.96	Feline:	Kitten	13.15
	Dog	20.90		Cat	25.52
Total Canine Bags:		29.87	Total Feline Bags:		38.67

3 Weekly "Small Trial Bag" Order (see calculated pounds in 2)

Species	SKU#	Lifestage	Bag Size (lbs)	Pounds	# of Bags	Suggested Split
Canine:	7133	Canine Puppy	4.5	28.2	6.27	21%
	7142	Canine Large Breed Puppy	4.5	12.1	2.69	9%
	8178	Canine Adult	5	83.6	16.72	56%
	6702	Canine Mature Adult	5	20.9	4.18	14%
						100%
Feline:	7123	Feline Kitten	3.5	46.0	13.15	34%
	6797	Feline Adult	4	81.7	20.42	53%
	7104	Feline Mature Adult	4	20.4	5.10	13%
						100%

Orders are automatically processed weekly unless otherwise requested by the shelter prior to the weekly order deadline. For information on your specific order deadline or to adjust standing In-Shelter order, call 1-866-283-1217.

20.1 In-Shelter Feeding Pounds per Adoption

Santa Barbara County Animal Shelter
12-Month Forecast: In-Shelter Feeding + Small Trial Bag Volume

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Substage	SK#	Bag Size (lbs)	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
IN-SHELTER FEEDING VOLUME:															
CANINE															
Puppy	7176	50	883.33	883.33	883.33	883.33	883.33	883.33	883.33	883.33	883.33	883.33	883.33	883.33	10600.00
Dog	6960	50	3466.67	3466.67	3466.67	3466.67	3466.67	3466.67	3466.67	3466.67	3466.67	3466.67	3466.67	3466.67	41600.00
FELINE															
Kitten	7127	25	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	4800.00
Cat	6955	25	1208.33	1208.33	1208.33	1208.33	1208.33	1208.33	1208.33	1208.33	1208.33	1208.33	1208.33	1208.33	14500.00
			5958.33	5958.33	5958.33	5958.33	5958.33	5958.33	5958.33	5958.33	5958.33	5958.33	5958.33	5958.33	71500.00
		shipping/delivery \$	0.35	2,085.42	2,085.42	2,085.42	2,085.42	2,085.42	2,085.42	2,085.42	2,085.42	2,085.42	2,085.42	2,085.42	25,026.30
IN-SHELTER FEEDING UNITS:															
CANINE															
Puppy	7176	50	17.67	17.67	17.67	17.67	17.67	17.67	17.67	17.67	17.67	17.67	17.67	17.67	212.00
Dog	6960	50	69.33	69.33	69.33	69.33	69.33	69.33	69.33	69.33	69.33	69.33	69.33	69.33	832.00
FELINE															
Kitten	7127	25	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	192.00
Cat	6955	25	48.33	48.33	48.33	48.33	48.33	48.33	48.33	48.33	48.33	48.33	48.33	48.33	580.00
			151.33	151.33	151.33	151.33	151.33	151.33	151.33	151.33	151.33	151.33	151.33	151.33	1816.00
SMALL TRIAL BAG VOLUME:															
CANINE															
Puppy	7133	4.5	122.33	122.33	122.33	122.33	122.33	122.33	122.33	122.33	122.33	122.33	122.33	122.33	1467.90
Puppy Large Breed	7142	4.5	52.43	52.43	52.43	52.43	52.43	52.43	52.43	52.43	52.43	52.43	52.43	52.43	629.10
Adult Dog	8178	5	362.33	362.33	362.33	362.33	362.33	362.33	362.33	362.33	362.33	362.33	362.33	362.33	4348.00
Canine Mature Adult	6702	5	90.58	90.58	90.58	90.58	90.58	90.58	90.58	90.58	90.58	90.58	90.58	90.58	1087.00
			627.67	627.67	627.67	627.67	627.67	627.67	627.67	627.67	627.67	627.67	627.67	627.67	
FELINE															
Kitten	7123	3.5	199.50	199.50	199.50	199.50	199.50	199.50	199.50	199.50	199.50	199.50	199.50	199.50	2394.00
Adult Cat	6797	4	353.87	353.87	353.87	353.87	353.87	353.87	353.87	353.87	353.87	353.87	353.87	353.87	4246.40
Feline Mature Adult	7104	4	88.47	88.47	88.47	88.47	88.47	88.47	88.47	88.47	88.47	88.47	88.47	88.47	1061.60
			641.83	641.83	641.83	641.83	641.83	641.83	641.83	641.83	641.83	641.83	641.83	641.83	
TOTAL # OF SMALL TRIAL BAG VOLUME			1269.50	1269.50	1269.50	1269.50	1269.50	1269.50	1269.50	1269.50	1269.50	1269.50	1269.50	1269.50	15,234
SMALL TRIAL BAG UNITS:															
CANINE															
Puppy	7133	4.5	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18	325.20
Puppy Large Breed	7142	4.5	11.65	11.65	11.65	11.65	11.65	11.65	11.65	11.65	11.65	11.65	11.65	11.65	139.80
Adult Dog	8178	5	72.47	72.47	72.47	72.47	72.47	72.47	72.47	72.47	72.47	72.47	72.47	72.47	869.60
Canine Mature Adult	6702	5	18.12	18.12	18.12	18.12	18.12	18.12	18.12	18.12	18.12	18.12	18.12	18.12	217.40
FELINE															
Kitten	7123	3.5	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	684.00
Adult Cat	6797	4	88.47	88.47	88.47	88.47	88.47	88.47	88.47	88.47	88.47	88.47	88.47	88.47	1061.60
Feline Mature Adult	7104	4	22.12	22.12	22.12	22.12	22.12	22.12	22.12	22.12	22.12	22.12	22.12	22.12	265.40
															3564.00

Hill's Science Diet Shelter Nutrition Partnership Rebate Program

The rebate structure was revised effective April 1, 2008. This structure is based on a points system. The number of points your shelter qualifies for determines your quarterly rebate level.

Earning a rebate is as easy as 1-2-3:

1. **Recommend** Science Diet® products to the adopter throughout the adoption process.
2. **Collect** adopter information at the time of adoption consultation.
3. **Submit** adopter information to the Hill's Shelter team in an electronic format by the first Friday of each month. You can use the format available on HillsPet.com/Shelters, an excel spreadsheet or another electronic format and submit to the team via email: shelters@hillspet.com

Receive your rebate!

In order to earn rebate points, your shelter must submit at least 60% of adopter names (based on the number of adopter bags sent to your shelter). After submitting at least 60% of adopter names, your shelter can become eligible for additional points. Below is an outline of how the rebate points are calculated and weighted to determine the total rebate payout amount.

POINTS EARNED	Hill's Shelter Point System			
	Quarterly/Activity			
	15 Points	10 Points	5 Points	0 Points
Adopter Names Submission %	N/A	80% +	60% - 79.99%	Less than 60%
Adopter Name Submission Format	N/A	100% of names submitted in a standard electronic format via HillsPet.com/Shelters	Adopter Cards and/or standard electronic format	Some or all of adopter information submitted in a non-standard Format
Direct Mail Response Level (indicates Science Diet® recommendation)	20% +	10% - 19.99%	5% - 9.99%	Less than 5%

Adopter Name Submissions:

Adopter Name submissions are calculated based on the number of Small Trial "Adopter" bags sent to the shelter during the quarter vs. number of adopter names received during the same quarter.

Adopter name submissions must be valid adopter names and each entry must be complete with the adopter name, address, and pet information **submitted by the first Friday of each month.** Transferring pets to rescue groups, foster homes, or other shelter facilities does not translate to an adoption and will not be accepted as part of your adopter name submissions.

YOU ARE ONLY ELIGIBLE FOR REBATE POINT: IF AT LEAST 60% OF YOUR ADOPTER NAMES ARE SUBMITTED.

Adopter Submission Format:

Adopter names can be submitted via 3 methods:

1. Electronic submission: Via e-mail or HillsPet.com/Shelters using the shelter template or an editable (Excel) format
2. Adopter card submission: Mail in Adopter Cards (provided by Hill's)
3. Other non-standard format: PDF, shelter adoption documentation, handwritten names in a form, etc.

If combinations of methods are used throughout the quarter, the lower point value (or no points) will be assigned.

Direct Mail Response Level:

Hill's will send a follow-up direct mail letter to each adopter. This letter contains a money-saving offer that the adopter may use on their next purchase of a Science Diet® product.

The redemption rate of the money-saving offer reflects the level of Science Diet® recommendation provided through the shelter staff at the time of adoption.

Default Cost per Pound for Shipping & Handling (S&H)		\$0.35		
Rebate Level	Number of Points	Rebate Amount per Pound	Rebate %	Net S&H Price per Pound
Gold	30 + Points	\$0.20	57%	\$0.15
Silver	10 - 29 Points	\$0.07	20%	\$0.28
Bronze	0 - 9 Points	\$0.00	0%	\$0.35

Example:

Hill's sends 100 free adopter bags to the shelter during the quarter. The shelter submits 80 valid and complete adopter names back to Hill's. The shelter receives 10 points for submitting 80% of the names.

All 80 names (100%) are submitted in an electronic format either via the shelter web portal or via email. The shelter receives 10 points for 100% electronic submission.

Hill's sends a direct mail letter with a money-saving offer to each of the valid adopter names provided by your Shelter. If 14 (18%) of the adopters submitted by your shelter redeem the offer, your shelter will earn 10 points.

SAMPLE:
 80 names of 100 names submitted = 10 points
 100% (80) of names submitted in an electronic format = 10 points
 18% Direct Mail Offers Redeemed = 10 points
Total Number for Points Received = 30 points

This shelter has accumulated a total of 30 points and will receive a rebate for \$0.20 per pound on all of the In-Shelter Feeding pounds that were delivered to the shelter during the same quarter.

Please note that your shelter will qualify for the rebate only if your account is current with Hill's. The points will be determined quarterly based on that quarter's participation. Rebate checks and quarterly report cards will be mailed to your shelter approximately 4-6 weeks after the end of each quarter. Adopter name submissions should be submitted regularly to allow proper processing (and mailing time when applicable) and proper rebate calculations.

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APPENDIX E

Hill's Terms

Orders. All orders for HILL'S SCIENCE DIET products accepted by HILL'S shall be subject to HILL'S terms and conditions as set forth in this Agreement. It is expressly understood and agreed by the Shelter that HILL'S shall have the right at its sole option to amend these terms and conditions from time to time, including without limitation, payment terms, shipping terms, pricing and discounts. HILL'S shall not be obligated to accept any order. In the event of partial shipment of an order, the order shall be accepted only to the extent of such shipment.

Shipping Terms. The shipping terms for all SCIENCE DIET products ordered under this Agreement will be prepaid FOB origin of shipment which, for purposes of this Agreement, means that HILL'S shall prepay freight costs but that title and risk of loss shall pass from HILL'S to Shelter at the point the SCIENCE DIET products are loaded onto the common carrier at HILL'S plant or warehouse facility. Unless otherwise specified in this Agreement, shipping terms used in this Agreement shall have the meanings adopted by the International Chamber of Commerce in "INCOTERMS - 2000".

Payment of Shipping and Handling.

- (a) Unless Shelter shall have secured prior written approval from HILL'S in Topeka, Kansas, of other terms of payment, payment shall be made by Shelter in U.S. dollars.
- (b) Terms of payment shall be determined at the sole discretion of HILL'S and will be communicated to the Shelter in writing. Shelter shall be eligible for payment terms of Net 30 Days from date of invoice, provided HILL'S receives and approves the following Shelter documents: (a) annual audited financial statements (within 90 days of year end); and (b) quarterly internal financial statements (true and accurate profit and loss statement, balance sheet and cash flow statement) if available. Shelter must provide true and accurate annual financial information in order to remain on 30-day terms.
- (c) Shelter's account with HILL'S must remain current at all times. Failure by Shelter to make payments when due may result in HILL'S denial of further shipments until Shelter's account is brought current.
- (d) A monthly charge of 1.5% or the highest allowable interest will be applied to any past due balance. A charge of \$15.00 will be added to any dishonored check/instrument, in addition to any other charge permitted under the laws of the State of Kansas. Past due accounts are subject to HILL'S credit limits/restrictions. In the event litigation or collection action is commenced by HILL'S to enforce payment of any overdue balance on Shelter's account, Shelter shall be responsible for payment of all HILL'S legal fees, court costs, and other expenses incurred by HILL'S or their authorized agent in relation thereto.

Damaged/Outdated Product. Shelter shall not, under any circumstances and regardless of whether or not Shelter is entitled to remedy from Hill's in accordance with Hill's limited warranty as set forth below, sell or transfer any damaged or out-of-date product without prior inspection and written consent of HILL'S. Product shall be considered to be damaged in any of the following circumstances: (i) for spoilage by fire, water or other such occurrence; (2) if Shelter claims it is damaged and HILL'S approves such claim, or (3) if it is considered by HILL'S to be in a condition which is inappropriate for sale. SCIENCE DIET products shall be considered out of date after the "Best Before" date stated on the packaging. In the event product becomes damaged or out-of-date, HILL'S reserves the right at its sole option to require Shelter either to dispose of such product in accordance with HILL'S instructions and to provide HILL'S with proof of such disposition or to return such product to a place to be designated by HILL'S at HILL'S expense.

Limited Warranty of HILL'S

- (a) HILL'S warrants that all SCIENCE DIET products packaged in cans will remain merchantable for eighteen (18) months from the date of manufacture as provided on such packaging. HILL'S warrants that all dry SCIENCE DIET products will remain merchantable for twelve (12) months from the date of manufacture as provided on such packaging. This limited warranty does not extend to products which are (i) not kept between 50-120 degrees Fahrenheit at all times after shipment by HILL'S, or (ii) which are not stored in a commercially reasonable manner, or (iii) which are not stored in an appropriate insect and rodent controlled environment, or (iv) which are stored in damaged packaging, unless the packaging was damaged before shipment by HILL'S, or (v) which are otherwise damaged by fire, flood, storm, earthquake or other such occurrence in any way after shipment by Hill's to Shelter.
- (b) HILL'S liability for any loss or damage arising out of or in connection with the sale or use of SCIENCE DIET products shall be limited to replacement of any defective products and in no event shall HILL'S be liable for consequential, special, indirect or other damages resulting from commercial loss.
- (c) Claims for loss or damage arising out of or connected with the sale or use of SCIENCE DIET products must be submitted in accordance with HILL'S published bulletins regarding such claims. These bulletins, as amended from time to time, will be furnished to Shelter by HILL'S.

LIMITATION OF LIABILITY THE FOREGOING LIMITED WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES WHETHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. THE FOREGOING LIMITED WARRANTIES ARE LIMITED TO DEFECTS SOLELY ATTRIBUTABLE TO HILL'S. IN NO EVENT WILL HILL'S BE LIABLE FOR CONSEQUENTIAL, SPECIAL OR INDIRECT DAMAGES IN ANY ACTION, EVEN IF HILL'S HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.