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As filed with the Securities and Exchange Commission on June 23, 2017

Registration No. 333-

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# Form S-1
# REGISTRATION STATEMENT

*Under*
*The Securities Act of 1933*

# PetIQ, Inc.

(Exact name of Registrant as specified in its charter)

| Delaware | 5122 | 35-2554312 |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (IRS Employer Identification No.) |

500 E. Shore Drive, Suite 120
Eagle, Idaho 83616
208-939-8900

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

McCord Christensen
Chief Executive Officer
PetIQ, Inc.
500 E. Shore Drive, Suite 120
Eagle, Idaho 83616
208-939-8900

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Please send copies of all communications to:*

| James J. Junewicz, Esq.<br>Christina T. Roupas, Esq.<br>Winston & Strawn LLP<br>35 West Wacker Drive<br>Chicago, Illinois 60601<br>(312) 558-5600 | Christopher D. Lueking, Esq.<br>Stelios G. Saffos, Esq.<br>Latham & Watkins LLP<br>330 North Wabash Avenue, Suite 2800<br>Chicago, Illinois 60611<br>(312) 876-7700 |
|---|---|

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |
| 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. ☒

**CALCULATION OF REGISTRATION FEE**

| TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED | PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)(2) | AMOUNT OF REGISTRATION FEE |
|---|---|---|
| Class A common stock, $0.001 par value per share | $85,000,000 | $9,851.50 |

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(2) Includes shares of Class A common stock subject to the underwriters' option to purchase additional shares of Class A common stock.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.

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**The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.**

SUBJECT TO COMPLETION, DATED , 2017

**PRELIMINARY PROSPECTUS**

# Shares

# PetIQ, Inc.

## Class A Common Stock

This is an initial public offering of shares of Class A common stock of PetIQ, Inc. We are offering shares of our Class A common stock.

Prior to this offering, there has been no public market for our Class A common stock. We anticipate that the initial public offering price will be between $ and $ per share. We have applied to list our Class A common stock on the NASDAQ Global Market under the symbol "PETQ."

**Investing in our Class A common stock involves substantial risk. See "Risk Factors" beginning on page 19 of this prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**We are an "emerging growth company" under the U.S. federal securities laws and will be subject to reduced public company reporting requirements.**

| | PER SHARE | TOTAL |
|---|---|---|
| Public offering price | $ | $ |
| Underwriters' discounts and commissions (1) | $ | $ |
| Proceeds to PetIQ, before expenses | $ | $ |

(1) We refer you to "Underwriting" beginning on page 108 of this prospectus for additional information regarding underwriting compensation.

Delivery of the shares of common stock is expected to be on or about , 2017. We have granted the underwriters an option for a period of 30 days to purchase an additional shares of our common stock to cover over-allotments. If the underwriters exercise the option in full, the total underwriting discounts and commission payable by us will be $ and the total proceeds to us, before expenses, will be $ .

*Joint Book-Running Managers*

**Jefferies** **William Blair**

*Co-Managers*

**Oppenheimer & Co.** **Raymond James** **SunTrust Robinson Humphrey**

Prospectus dated , 2017

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You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. Neither we nor the underwriters have authorized anyone to provide you with different information. We and the underwriters are offering to sell, and seeking offers to buy, shares of our Class A common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our Class A common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: Neither we nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of Class A common stock and the distribution of this prospectus outside the United States. See “Underwriting.”

## BASIS OF PRESENTATION

In connection with the closing of this offering, we will effect certain organizational transactions. Unless otherwise stated or the context otherwise requires, all information in this prospectus reflects the consummation of the organizational transactions, which we refer to collectively as the "Transactions," and this offering. See "The Transactions" for a description of the Transactions and a diagram depicting our organizational structure after giving effect to the Transactions and this offering.

As used in this prospectus, unless the context otherwise requires, references to:

- "we," "us," "our," the "Company," "PetIQ" and similar references refer: (i) following the consummation of the Transactions and this offering, to PetIQ, Inc., a Delaware corporation, and, unless otherwise stated, all of its subsidiaries, including PetIQ Holdings, LLC, a Delaware limited liability company, which we refer to as "HoldCo," and PetIQ, LLC, an Idaho limited liability company, which we refer to as "OpCo," and, unless otherwise stated, all of its subsidiaries and (ii) on or prior to the completion of the Transactions and this offering, to HoldCo and, unless otherwise stated, all of its subsidiaries.
- "Certain Sponsors" refer to, collectively, Eos Capital Partners IV, L.P., Eos Partners, L.P., and Highland Consumer Fund 1-B Limited Partnership, which prior to the Transactions are the owners of the Sponsor Corps and will contribute the Sponsor Corps to us in exchange for Class A common stock and certain preference notes (the "Certain Sponsor Preference Notes") in connection with the consummation of this offering.
- "Sponsor Corps" refer to, collectively, ECP IV TS Investor Co., Eos TS Investor Co. and HCP—TS Blocker Corp, each an owner of HoldCo prior to the Transactions that will become our wholly owned subsidiary after giving effect to the Transactions.
- "Continuing LLC Owners" refer to the owners of HoldCo prior to the Transactions (other than the Sponsor Corps) who will exchange certain LLC interests for preference notes (the "Continuing LLC Owner Preference Notes" and, together with the Certain Sponsor Preference Notes, the "Preference Notes") and/or Class B common stock, continue to own LLC Interests after the Transactions and who may, following the consummation of this offering, exchange their LLC Interests and Class B common stock for shares of our Class A common stock as described in "Certain Relationships and Related Party Transactions—HoldCo Agreement."
- "LLC Interests" refer to the single class of newly issued common membership interests of HoldCo.

PetIQ is a holding company and will be the sole managing member of HoldCo. HoldCo is a holding company and the sole member of OpCo and has no operations and no assets other than the equity interests of OpCo. Upon the completion of this offering and the application of proceeds therefrom, PetIQ's principal asset will be LLC Interests of HoldCo held directly and indirectly. OpCo is the predecessor of the issuer, PetIQ, for financial reporting purposes. PetIQ will be the audited financial reporting entity following this offering. Accordingly, this prospectus contains the following historical financial statements:

- *PetIQ.* Other than the balance sheets, dated as of December 31, 2016 and February 29, 2016, the historical financial information of PetIQ has not been included in this prospectus. This entity has no business transactions or activities to date and had no assets or liabilities during the periods presented in this prospectus.
- *OpCo.* As we will have no other interest in any operations other than those of OpCo and its subsidiaries, the historical consolidated financial information included in this prospectus is that of OpCo and its subsidiaries.

The unaudited pro forma financial information of PetIQ presented in this prospectus has been derived by the application of pro forma adjustments to the historical consolidated financial statements of OpCo and its subsidiaries included elsewhere in this prospectus. These pro forma adjustments give effect to the Transactions as described in "The Transactions," including the completion of this offering, as if all such transactions had occurred on January 1, 2016, in the case of the unaudited pro forma consolidated statement of operations data, and as of December 31, 2016 and March 31, 2017, in the case of the unaudited pro forma consolidated balance sheet. See "Unaudited Pro Forma Consolidated Financial Information" for a complete description of the adjustments and assumptions underlying the pro forma financial information included in this prospectus.

## TRADEMARKS

This prospectus includes our trademarks, trade names and service marks, such as *"PetIQ," "PetAction," "Advecta," "PetLock," "Heart Shield," "TruProfen," "Betsy Farms," "Minties," "Vera," "Delightibles" and "VetIQ,"* which are protected under applicable intellectual property laws and are our property. This prospectus also contains trademarks, trade names and service marks of other companies, which are the property of their respective owners. Solely for convenience, trademarks, trade names and service marks referred to in this prospectus may appear without the ®, ™ or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, trade names and service marks. We do not intend our use or display of other parties' trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

## MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate is based on information from independent industry and research organizations, other third-party sources (including industry publications, surveys and forecasts) and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets which we believe to be reasonable. Although we believe the data from these third-party sources is reliable, we have not independently verified any third-party information. In addition, projections, assumptions and estimates of the future performance of the industry in which we operate and our future performance are necessarily subject to uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and "Forward-Looking Statements." These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

The Company's statement that it pioneered and is the leading seller to the retail channel of pet products previously available for purchase primarily from veterinary clinics is based solely upon the Company's first-hand experience in the pet health and wellness market as a vendor of these products to national retail stores. As a result of its relationship with such national retail stores, the Company believes that no other vendors supplied veterinarian-grade pet products prior to the Company's entry into the market. In addition, as a result of these relationships, the Company believes that no other vendors supply the same breadth of veterinarian-grade Rx, OTC medications and health and wellness products as the Company to the retail channel.

## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our Class A common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included elsewhere in this prospectus. You should also consider, among other things, the matters described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in each case appearing elsewhere in this prospectus.*

### Our Company

PetIQ is a rapidly growing distributor and manufacturer of veterinarian-grade pet prescription ("Rx") medications, over-the-counter ("OTC") flea and tick preventatives and health and wellness products for dogs and cats. We pioneered and are the leading seller to the retail channel of pet products that were previously available for purchase primarily from veterinary clinics. We enable our customers to offer pet owners choice, affordability and convenience on products from leading national brands ("distributed products") as well as our proprietary value-branded alternatives. Consumer behavior supports our continuing growth: pet owners are increasingly migrating their purchases away from veterinarians' offices to the channels we serve. In addition, pet owners are shifting their retail purchases from non-veterinarian-grade products, previously the only products available in the retail channel, to the premium veterinarian-grade products that we sell. We believe we are well positioned to capitalize on these changes in consumer behavior because of our category leadership, broad product portfolio, value proposition and strong customer relationships. The end markets we serve are large and growing: U.S. sales of pet medications have grown to an estimated $7.4 billion in 2016 and are estimated to reach $8.9 billion by 2019, representing a compound annual growth rate ("CAGR") of 6% between 2016 and 2019, according to Packaged Facts.

Our product portfolio spans a wide range of veterinarian-grade Rx medications and leading OTC medications as well as other health and wellness products. We offer our customers a comprehensive category management solution and sell products under multiple brands to address channel-specific requirements. Our most popular product categories include:

| CATEGORY | PRODUCT FUNCTION | DISTRIBUTED BRANDS | PROPRIETARY BRANDS |
|---|---|---|---|
| Rx Medications | Heartworm preventatives<br>Arthritis treatments<br>Heart disease treatment | Heartgard Plus<br>RIMADYL (carprofen)<br>vetoquinol (pimobendan) | HEART SHIELD plus<br>TRUPROFEN (carprofen) |
| OTC Medications and Supplies | Flea and tick prevention | FRONTLINE Plus | PETACTION<br>ADVECTA<br>VetGuard<br>PetLock |
| Health and Wellness Products | Vitamins<br>Treats<br>Nutritional supplements<br>Hygiene products | NA | VETIQ<br>Wholesome Pride<br>BETSY FARMS<br>Mimi's Market<br>VERA |

We believe our consumer value proposition drives increasing demand for our products. Pet owners can typically buy our distributed products from retailers at a 20-30% savings compared to the prices charged by veterinarians, and can save as much as 50% on our proprietary value-branded products, which contain the same active ingredients as distributed products and are subject to the same Food and Drug Administration ("FDA") and Environmental Protection Agency ("EPA") approval process.

We have successfully introduced our products into all major retail channels including mass, food and drug, clubs, pet specialty, online and pharmacies. Our network of customers includes Walmart, Sam's Club, Costco, PetSmart, Petco, Kroger, Target, and BJ's Wholesale Club, among others, and more than 40,000 retail pharmacy locations. We support our retail customers by (i) providing unique merchandising solutions, (ii) offering 24-hour fulfillment of Rx pet medications to pharmacies and (iii) creating marketing and promotional programs that highlight the value proposition and availability of veterinarian-grade pet medications through the retail channel.

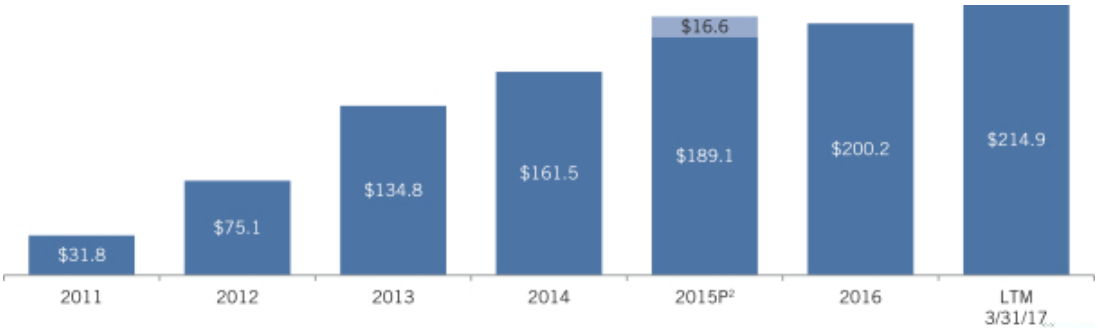
We rapidly develop, manufacture and introduce innovative new products to retailers and consumers. Our current product portfolio and pipeline of future products have been developed through a combination of in-house specialists and animal health research and development ("R&D") experts. In addition, we specialize in market analysis, product development, packaging, marketing, industry licensing and managing both EPA and FDA regulated products. These internal and external resources enable us to expand our portfolio of proprietary value-branded products and develop next-generation versions of our existing products. We have found that our retail expertise and strong market position makes us an attractive partner for scientists and entrepreneurs developing new products in the pet health and wellness field. A combination of our internal expertise and strategic relationships have produced several of our top selling products and brands, including *VetIQ*, *PetAction Plus, Advecta, PetLock Plus* and *TruProfen*.

Recent financial highlights include:

- Net sales growth from $31.8 million in fiscal year 2011 to $214.9 million for the last twelve months ("LTM") ended March 31, 2017, representing a CAGR of approximately 44%;
- Net income improvement from a loss of $11 million in fiscal year 2014 to income of $1.2 million for the LTM ended March 31, 2017;[1]
- Adjusted EBITDA growth from $(5.4) million in fiscal year 2014 to $12.6 million for the LTM ended March 31, 2017;
- Net sales growth from $52.3 million for the three months ended March 31, 2016 to $67.0 million for the three months ended March 31, 2017, representing a 28.2% growth year over year increase;
- Net income growth from a loss of $(0.3) million for the three months ended March 31, 2016 to $4.3 million for the three months ended March 31, 2017.
- Adjusted EBITDA growth from $3.8 million for the three months ended March 31, 2016 to $5.7 million for the three months ended March 31, 2017, representing a 51.0% year over year growth; and

[1] Our historical results benefit from insignificant income taxes due to our status as a pass-through entity for U.S. federal income tax purposes, and we anticipate future results will not be consistent as our income will be subject to U.S. federal and state taxes.

**Net Sales ($ Millions)[1]**




## Our Industry

***Attractive Pet Industry Trends.*** In 2016, approximately 63.4 million U.S. households (52% of total U.S. households) owned a dog or a cat, compared to 57.0 million households (50% of total U.S. households) in 2008, according to Packaged Facts. Based on the 2010 Census, today more U.S. households have pets than have children. Demographic trends in pet ownership and changing attitudes toward pets support our continuing growth.

- *Pet Humanization:* According to Packaged Facts, in the United States, an estimated 79% of dog owners and 77% of cat owners view their pets as family members. With pets increasingly viewed as companions, friends and family members, pet owners behave like "pet parents" with a strong inclination for spending disposable income to meet all of their pets' needs during all economic cycles. Pets have become a financial priority.
- *Increasing Consumer Focus on Pet Health and Wellness:* Consumers are exhibiting greater interest in improved health for their pets and, as a result, are increasing their purchases of the most effective veterinarian-grade pet products and supplies. Pet owners of all demographic and income levels aspire to purchase leading veterinarian-grade treatments.
- *Increasing Pet Age and Incidents of Pet Disease:* Pets are living longer and, as a result, have increasing medication needs. The American Veterinary Medical Association ("AVMA") reports the percentage of households owning dogs aged six and older rose from 42% in 1991 to 48% in 2011, with comparable figures rising from 29% to 50% for cats. Chronic age-related pet disease is increasingly prevalent in dogs and cats. In 2016, Packaged Facts reported that 53.9% of dogs and 58.9% of cats are overweight, and in 2015, Packaged Facts reported that approximately 75% of older dogs and predisposed breeds have heart disease.

***Strong Growth in Pet Products***. According to Packaged Facts and the American Pet Products Association (the "APPA"), Americans spent $81.4 billion on pet products and services in 2016, nearly triple their 2001 spending of $28.5 billion. U.S. sales of pet medications for dogs and cats have grown from $5.8 billion in 2011 to an estimated $7.4 billion in 2016 and are estimated to reach $8.9 billion by 2019, representing a CAGR of 6% between 2016 and 2019, according to Packaged Facts. Additionally, our innovative pet treats compete in the U.S. dog and cat treat market, which has grown every year since 2010. According to Packaged Facts, the U.S. dog and cat treat market has grown to an estimated $6.1 billion in 2016 and is estimated to reach $7.3 billion of retail sales by 2019, representing a CAGR of 6% between 2016 and 2019.

2 The Company realized $16.6 million in net sales to Walmart as part of a one-time sales opportunity in 2015. These sales to Walmart did not recur in 2016. On a pro forma basis, excluding the one-time sales opportunity to Walmart, net sales grew approximately $11 million or 5.8% in 2016 as compared to 2015.

***Migration of Pet Medication Purchases from the Veterinarian Channel to Retail****:* We believe the market for pet medication and health and wellness products in the retail channel is likely to outpace growth in the broader pet industry. This migration away from the veterinary channel has already begun as the estimated mass market share of the U.S. pet medication industry increased from 12% in 2011 to 21% in 2015 while the estimated veterinarian share declined from 63% in 2011 to 59% in 2015. We believe that migration will continue in the future as more consumers become aware of the significant cost savings that retail channels can deliver and our product penetration at retail increases. Historically, high veterinary clinic prices have constrained pet medication sales. Our affordable high-quality products will help unlock demand and provide cost sensitive customers the leading treatments they want at prices they can afford.

***Fairness to Pet Owners Act of 2017***. We believe that, if enacted, the Fairness to Pet Owners Act of 2017 ("FTPOA"), now pending before Congress, has the potential to accelerate the migration of pet medications to the retail channel. Many pet medications cannot be purchased without a prescription signed by a veterinarian. But in most states veterinarians, unlike physicians treating humans, are not required to give pet owners a prescription that they can fill in retail pharmacies. In May 2015, the United States Federal Trade Commission ("FTC") published a report titled "Competition in the Pet Medications Industry," which concluded that giving consumers prescriptions on demand would likely increase competition. The FTPOA would guarantee that pet owners would receive a copy of their pets' prescriptions without having to ask, pay a prescription release fee or sign a liability waiver. Because a pet prescription is required to purchase many pet medications, we believe that the FTPOA, if enacted, would significantly increase retail sales of pet medications and our net sales and profits. For example, 67% of prescription heartworm medications purchased by dog owners are purchased from veterinarians, according to Packaged Facts. We believe automatic receipt of portable prescriptions will enable pet owners to fill prescription medications in the retail channel at discounts comparable to those of OTC pet medications at retail.

The enactment of the Fairness to Contact Lens Consumers Act in 2003, which requires eye care professionals to give consumers contact lens prescriptions, demonstrates the benefits of prescription access to contact lens consumers and to retailers. As a result of this statute, upon which the FTPOA was modeled, contact lens users are no longer obligated to purchase contact lenses from prescribing eye care professionals and now purchase a significant amount of contact lenses online and at retail outlets for prices far less than the prices charged by eye care professionals when they were the sole source of supply. Since 2003, the contact lens industry has more than doubled in size primarily as a result of more customers entering the market due to lower prices and previous customers replacing their lenses more often. Similarly the FTPOA, if enacted, has the potential to spark significant growth in the market for pet medications, as more pet owners will be able to afford veterinarian-grade products.

**Our Competitive Strengths**

The following strengths form the foundation for our future growth:

***First Mover Advantage in the Rx and OTC Pet Medications Market in the Retail Channel.*** Founded in 2010, we pioneered and are the leading seller to the retail channel of pet products previously available for purchase primarily from veterinary clinics. The category grew significantly after we brought leading veterinary brands to the national retail sector. Being first to market has allowed us to gain significant scale and expertise, as well as complete the time consuming and costly process of obtaining the FDA and EPA registrations necessary to have Rx medications available in the retail channel. We believe that through product development, manufacturing capabilities, distribution and retail execution we have enabled retailers to enter and grow the market for high quality pet medications. We believe that our "first mover" momentum, including our established relationships with leading retailers, provides us a significant competitive advantage that will allow us to grow with our world-class retail pharmacy partners.

***Focus on High Growth Pet Medication Category.*** Packaged Facts predicts that pet medications will remain one of the highest growth areas in the pet industry. We believe that significant future growth will be a result of leading U.S. pharmacies adding pet medications and aggressively competing for a larger share of the Rx pet medication market. For human pharmacies Rx pet medication is an attractive high-margin, cash-based business with no delayed insurance reimbursement, no co-payers, and no government formularies or pricing policies.

***Broad Product Portfolio of Highly Recognized Brands.*** Our broad proprietary product portfolio consists of eleven primary brands: *PetIQ, PetAction, Advecta, PetLock, Heart Shield, TruProfen, Betsy Farms, Minties, Vera, Delightibles* and *VetIQ*. We believe our brands are comparable in quality and safety to leading third-party brands, as they contain the same active ingredients and are subject to the same FDA and EPA approval process. Our brands are highly recognizable and supported by targeted marketing campaigns and in-store merchandising. We also provide our retailers with numerous well-known third-party pet medication brands, such as *Frontline® Plus* and *Heartgard® Plus*. By offering a broad product portfolio, we offer retailers a "one-stop shop," complete category management solution for pet Rx and OTC medications and health and wellness products.

***Veterinarian-Grade Products at Compelling Value.*** Our veterinarian-grade products at value prices offer consumers increased choice, affordability and convenience. Because of the breadth of our portfolio and distribution, consumers now have access to a wider array of premium quality pet products and can realize typical savings of 20% to 30% on distributed products and approximately 50% on our proprietary value-branded products compared to the prices charged by veterinarians. We believe many pet owners will convert to our value-branded products as they become aware of the significant savings and convenience available at their preferred neighborhood pharmacy or retail store. We support the efforts of retail partners in capturing a larger share of the estimated $8.4 billion addressable market of pet medications and health and wellness products previously available exclusively through the veterinary channel.

***Strong Relationships with Leading Retailers.*** We have the necessary scale and operational expertise to support our retail partners, which include Walmart, Sam's Club, Costco, PetSmart, Petco, Target, Chewy.com and Amazon. Before partnering with us, these and other retailers had limited access to veterinarian-grade pet medication and health and wellness products, resulting in veterinarians serving as the primary channel for the category. In addition to our portfolio of leading products, we also provide excellent retail fulfillment and merchandising services, high fill rates, on-time deliveries and same-day or next-day service. Through a strategic alliance with Anda, a national pharmacy distributor, we provided more than 40,000 U.S. pharmacy locations with 24-hour fulfillment and exclusive access to leading Rx pet medications, which limits pharmacies' inventory costs and increases customer service levels. In addition, in 2014 Sam's Club recognized us as its "Supplier of the Year" in the consumable products category, an award that is given to only one supplier per category per year. Similarly, Petco recognized us as "Supplier of the Year" in 2015.

***Rapid and Innovative Product Development Capabilities.*** We have a sophisticated product team with expertise in market analysis, product development, packaging, marketing and industry regulations. These cross-functional skills provide us with ongoing competitive advantages and have resulted in the development of our most successful products and brands, including *VetIQ*, *PetLock*, *PetAction Advecta* and *TruProfen*. Given our track record of successfully launching new products, we have become an attractive commercial partner for leading development companies and outside R&D scientists and entrepreneurs from around the world. *PetAction* is an example of a flea and tick product that leveraged our internal expertise and third-party relationships, resulting in enhanced margins for us and retailers and lower prices for our consumers.

***Well-Invested and Scalable Operations.*** Since 2012, we have invested $19 million in expanding our infrastructure. We have the facilities, supply-chain management expertise and IT systems infrastructure in place to scale operations with relatively low capital expenditures. In our Springville, Utah manufacturing facility we invested in the necessary improvements to obtain quality and safety certifications, including Global Food Safety Initiative ("GFSI") and an "excellent" Safe Quality Food ("SQF") certification. These certificates of distinction validate that our manufacturing quality is at the highest level in the industry and illustrates our competitive advantage against manufacturers that have not made similar investments. We operate

approximately 400,000 square feet of manufacturing and distribution facilities in three locations in Florida, Utah and Texas. We opened two manufacturing facilities in 2014 to prepare for significant growth, and these facilities currently operate at less than 50% of their full-production capacities. These facilities will require minimal investment to achieve full capacity and can support significant future growth. In 2014, we successfully implemented X3, a Sage ERP system that serves as a foundation for operating our business. We are licensed to operate and distribute veterinary prescription drugs in all 50 states, which gives us a significant competitive advantage.

***Passionate Management Team with a Proven Track Record.*** Our passionate management team has a proven track record of managing fast-growing consumer companies and significant retail industry experience. Our executives have relevant prior experiences at industry-leading firms such as Albertson's, Walmart, Bayer Animal Health and Piramal Pharmaceuticals. Our Chairman and Chief Executive Officer, Cord Christensen, and our President, Scott Adcock, are the co-founders of PetIQ and have overseen our growth from $32 million of net sales in 2011 to $214.9 million for the LTM ended March 31, 2017. Following the closing of the offering, our management team will beneficially own % of the Class A common stock of the Company. We believe the experience and commitment of our management team positions us to continue to deliver profitable and sustainable future growth opportunities.

## Our Strategy

There are significant opportunities to grow our brand awareness, increase our net sales and profitability and deliver shareholder value by executing on the following initiatives:

***Grow Consumer Awareness of Our Products in the Retail Channel.*** We are an established category creator in the pet health and wellness and medication market with strong penetration of the retail channel and high awareness among retailers. With our broad retail network that includes the top U.S. retailers, we are increasingly focused on building consumer awareness and converting more pet owners to use our products. As pet owners learn that our proprietary value-branded products offer the same active ingredients as leading brands at lower prices, we believe they will shift their purchasing habits to our products and our share of the overall pet Rx and OTC medications and health and wellness products market will continue to grow.

***Deliver Innovation in Pet Health and Wellness at a Great Consumer Value.*** We have a proven track record of introducing innovative products to the pet health and wellness category. For example, we have introduced over 40 new proprietary value-branded products since 2014, including *PetAction Plus, Advecta 3* and *VetIQ* prescription medications and *Delightibles Wild Country Meats and Treats, Piglies, Betsy Farms Grillers and Creamy Crunchy Treats, VERA Premium Jerky, Great Choice Center Filled Cat Treats* and *PETIQ Premium Jerky* pet treats. We expect to drive net sales growth by continuing to develop and commercialize new products. We plan to introduce new and improved products across all of our categories over the next few years and will selectively enter relevant adjacent product categories to continue providing our retail customers access to the Rx and OTC medications and other health and wellness products they want most. We intend to continue to rapidly develop and market products that incorporate innovative ingredients, advanced formulations, improved taste and enhanced functionality that differentiate us in the pet health and wellness market. These efforts include the formulation of proprietary value-branded versions of off-patent branded products as well as the refinement of existing products to make packaging and formulations more appealing and convenient for consumers and their pets. In addition, we may seek acquisitions or strategic partnerships with companies that can help us expand our product offering and achieve our growth plan.

***Expand Strong Partnerships with Leading Retailers and Pharmacies.*** Pet medications and health and wellness are significant growth opportunities for our retail partners. In addition to helping retailers overcome a lack of access to leading items and brands, we have provided our customers unique merchandising solutions, created marketing and promotional programs that highlight the availability of veterinarian-grade pet medications through the retail channel and the related savings to pet owners and provided 24-hour fulfillment of Rx pet medications to pharmacies. We will remain focused on driving success through the retail channel and the e-commerce platforms of our retail partners.

***Increase Number of Products with Existing Retailers.*** We conduct business with the majority of leading retailers with our core product offerings. We believe our net sales will continue to grow as we expand the number of products we have available for sale at each retailer. We also plan to creatively expand SKU placement within existing accounts through our in-house merchandising capabilities. Additionally, with the potential enactment of the FTPOA, we believe we are positioned to expand our presence and shelf space in the retail pharmacy channel with leading retailers. These leading retail pharmacies in addition to a large number of independent pharmacies, could become a significant source of growth for our product categories.

***Enhance Margins.*** We expect that our margins will increase as our product mix continues to evolve and include a greater portion of our proprietary value-branded products. Additionally, as net sales increase, we will realize the benefits of leveraging our existing assets and facilities and share efficiency gains with our sourcing and manufacturing partners further driving margin improvement. We believe that, except for the expenses normally associated with being a public company, we will not have material increases in our selling and general administrative expenses as we pursue our growth plans because of our recent substantial investments in our corporate infrastructure.

### Corporate Information

PetIQ, Inc., a Delaware corporation, was incorporated in February 2016 for the purpose of this offering and has had no business activities or transactions to date. PetIQ is a holding company and the sole managing member of True Science Delaware Holdings, LLC, a Delaware limited liability company, which was formed in May 2012 and renamed PetIQ Holdings, LLC, which we refer to as HoldCo, in February 2016 to better reflect our pet-centric business. HoldCo is the sole member of PetIQ, LLC, an Idaho limited liability company and our predecessor for financial reporting purposes, and has no operations and no assets other than the equity interests of OpCo. Our principal executive office is located at 500 E. Shore Dr., Suite 120, Eagle, ID 83616, and our telephone number is 1-208-939-8900. Our corporate website address is www.petiq.com. We do not incorporate the information on or accessible through any of our websites into this prospectus, and you should not consider any information on, or that can be accessed through, our websites as part of this prospectus.

### Our Equity Sponsors

Eos Partners, L.P. (“Eos”) is an alternative investment firm that actively invests in the private equity, credit and public equity markets. Eos targets lower middle market companies in a number of sectors including consumer, healthcare, financial services, energy and business and media services. Immediately following the consummation of this offering, Eos will own approximately % of our Class A common stock and % of the total voting power, or % and %, respectively if the underwriters’ option to purchase additional shares of Class A common stock is exercised in full.

Labore et Honore LLC (“Labore”) is a family office investment firm focused on early stage and growth equity businesses. Labore’s targeted sectors include consumer, technology and media and business services. Immediately following the consummation of this offering, Labore will own approximately % of our Class B common stock and % of the total voting power, or % and %, respectively, if the underwriters’ option to purchase additional shares of Class A common stock is exercised in full.

Porchlight Equity Partners (“Porchlight”) is a private equity firm focused on business services and consumer companies. Porchlight targets consumer companies within specialty retail, e-commerce, consumer products and consumer services. Immediately following the consummation of this offering, Porchlight will own approximately % of our Class A common stock, approximately % of our Class B common stock and % of the total voting power, or %, % and %, respectively, if the underwriters’ option to purchase additional shares of Class A common stock is exercised in full.

### Implications of Being an Emerging Growth Company

As a company with less than $1.07 billion in net sales during our last fiscal year, we qualify as an "emerging growth company" as defined in Section 2(a) of the Securities Act of 1933, as amended (the "Securities Act"), as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). An emerging growth company may take advantage of specified reduced reporting requirements that are otherwise applicable generally to public companies. These provisions include:

- an option to present only two years of audited financial statements and only two years of related management's discussion and analysis in the registration statement of which this prospectus is a part;
- an exemption from compliance with the requirement for auditor attestation of the effectiveness of our internal control over financial reporting for so long as we qualify as an emerging growth company;
- an exemption from compliance with any requirement that the Public Company Accounting Oversight Board ("PCAOB") may adopt regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- an exemption from the adoption of new or revised financial accounting standards until they would apply to private companies;
- reduced disclosure about our executive compensation arrangements; and
- exemptions from the requirements to obtain a non-binding advisory vote on executive compensation or a stockholder approval of any golden parachute arrangements.

We will remain an emerging growth company until the earliest to occur of: the last day of the year in which we have $1.07 billion or more in annual net sales; the date we qualify as a "large accelerated filer," with at least $700 million of equity securities held by non-affiliates as of the last day of our most recently completed second quarter; the issuance, in any three-year period, by us of more than $1 billion in non-convertible debt securities; or the last day of the year ending after the fifth anniversary of this offering. We may choose to take advantage of some, but not all, of the available benefits under the JOBS Act. We are choosing to irrevocably "opt out" of the extended transition periods available under the JOBS Act for complying with new or revised accounting standards, but we intend to take advantage of the other exemptions discussed above. Accordingly, the information contained herein may be different from the information you receive from other public companies in which you hold stock. See "Risk Factors—Risks Related to This Offering and Ownership of Our Class A Common Stock" which describes that we are an emerging growth company, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

### Risks Related to Our Business

Our business is subject to numerous risks and uncertainties, including those highlighted in the section entitled "Risk Factors" immediately following this prospectus summary, that primarily represent challenges we face in connection with the successful implementation of our strategy and the growth of our business. We expect a number of factors may cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance. Such factors include, among other things:

- we are dependent on a relatively limited number of customers for a significant portion of our net sales;
- we may not be able to successfully implement our growth strategy on a timely basis or at all;
- we have incurred net losses in the past and may be unable to achieve or sustain profitability in the future;
- if we continue to grow rapidly, we may not be able to manage our growth effectively;
- we operate in a highly competitive industry and may lose market share or experience margin erosion if we are unable to compete effectively;
- we face significant competition from veterinarians and may not be able to compete profitably with them;

- resistance from veterinarians to authorize prescriptions, or attempts/efforts on their part to discourage pet owners to purchase from retailers and pharmacies could cause our net sales to decrease and could materially adversely affect our financial condition and results of operations;
- the FTPOA may never become law, and even if it does become law, it may not change consumer behavior;
- any damage to our reputation or our brand or sub-brands may materially adversely affect our business, financial condition and results of operations;
- our growth and business are dependent on trends that may change, and our historical growth may not be indicative of our future growth; and
- there may be decreased spending on pets in a challenging economic climate.

**THE OFFERING**

| | |
|---|---|
| Issuer in this offering | PetIQ, Inc. |
| Class A common stock offered by us | shares, or shares if the underwriters exercise their option to purchase additional shares of Class A common stock in full. |
| Underwriters' option to purchase additional shares of Class A common stock | We and the selling shareholders have granted the underwriters an option for a period of 30 days to purchase up to additional shares of Class A common stock. |
| Shares of Class A common stock to be outstanding after this offering | shares (or shares, if the underwriters exercise in full their option to purchase additional shares of Class A common stock). |
| Shares of Class B common stock to be outstanding after this offering | shares, all of which will be owned by the Continuing LLC Owners. |
| Voting rights | Holders of our Class A common stock and Class B common stock will vote together as a single class on all matters presented to stockholders for their vote or approval, except as otherwise required by law. Each share of Class A common stock and Class B common stock will entitle its holder to one vote per share on all such matters. See "Description of Capital Stock." |
| Voting power held by investors in this offering after giving effect to this offering | % (or %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock). |
| Voting power held by all holders of Class A common stock after giving effect to this offering | % (or %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock). |
| Voting power held by all holders of Class B common stock after giving effect to this offering | % (or %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock). |
| Voting power held by the Continuing LLC Owners and Certain Sponsors after giving effect to this offering | % (or %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock). |
| Ratio of shares of Class A common stock to LLC Interests | Our amended and restated certificate of incorporation and the Sixth Amended and Restated Limited Liability Company Agreement of HoldCo (the "HoldCo Agreement"), each of which will become |

| | |
|---|---|
| | effective prior to this offering, will require that at all times (i) we maintain a ratio of one LLC Interest owned by us for each share of Class A common stock issued by us (subject to certain exceptions for treasury shares and shares underlying certain convertible or exchangeable securities) and (ii) HoldCo maintain (x) a one-to-one ratio between the number of shares of Class A common stock issued by us and the number of LLC Interests owned by us and (y) a one-to-one ratio between the number of shares of Class B common stock owned by the Continuing LLC Owners and the number of LLC Interests owned by the Continuing LLC Owners. This construct is intended to result in the Continuing LLC Owners having a voting interest in PetIQ that is substantially the same as the Continuing LLC Owners' percentage economic interest in HoldCo. The Continuing LLC Owners will own all of our outstanding Class B common stock. |
| Use of proceeds | We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and commissions, will be approximately $ million, assuming the shares are offered at $ per share (the midpoint of the price range listed on the cover page of this prospectus).<br><br>We intend to use the net proceeds of this offering to (i) pay off the Preference Notes in the aggregate amount of $ and (ii) purchase newly issued LLC Interests from HoldCo at a purchase price per interest equal to the initial public offering price per share of Class A common stock, less underwriting discounts and commissions. The Preference Notes will become due and payable upon the consummation of this offering and accrue interest at a rate of two percent per annum.<br><br>We intend to cause HoldCo to use such proceeds: (i) to pay fees and expenses of approximately $ million in connection with the Transactions and this offering and (ii) approximately $ million for general corporate purposes. See "Use of Proceeds" and "The Transactions" for additional information. |
| Exchange rights of holders of LLC Interests | The Continuing LLC Owners will have the right, from time to time following this offering and subject to the terms of the HoldCo Agreement, to exchange all or a portion of their LLC Interests, along with a corresponding number of shares of our Class B common stock, for newly issued shares of Class A common stock on a one-for-one basis, subject to customary adjustments, including for stock splits, stock dividends and reclassifications. Our board of directors, which will include directors who hold LLC Interests or are affiliated with holders of LLC Interests and may include such directors in the future, may, at its option, instead cause HoldCo to make a cash payment equal to the volume weighted average market price of one share of our Class A common stock for each LLC Interest exchanged (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the HoldCo Agreement. See "Certain Relationships and Related Party Transactions—HoldCo Agreement." |

| | |
|---|---|
| Registration Rights Agreement | Pursuant to the Registration Rights Agreement, we will, subject to the terms and conditions thereof, agree to register the resale of the shares of our Class A common stock that are issuable to the Continuing LLC Owners upon exchange of their LLC Interests and the shares of our Class A common stock that are issued to Certain Sponsors in connection with the Transactions. See "Certain Relationships and Related Party Transactions—Registration Rights Agreement." |
| Dividend policy | Except for the distributions described under "The Transactions," we currently intend to retain all available funds and any future earnings for use in the operation of our business, and therefore we do not currently expect to pay any cash dividends on our Class A common stock. Any future determination to pay dividends to holders of Class A common stock will be at the discretion of our board of directors and will depend upon many factors, including our results of operations, financial condition, capital requirements and other factors that our board of directors deems relevant. We are a holding company, and substantially all of our operations are carried out by OpCo and its subsidiaries. Our ability to pay dividends may also be restricted by the terms of any future credit agreement or any future debt or preferred equity securities of ours or of our subsidiaries. See "Dividend Policy." |
| Risk factors | Investing in shares of our Class A common stock involves a high degree of risk. See "Risk Factors" beginning on page 19 of this prospectus for a discussion of factors you should carefully consider before investing in shares of our Class A common stock. |
| Proposed NASDAQ Global Market symbol | We have applied to list our Class A common stock on the NASDAQ Global Market under the symbol "PETQ." |

Unless otherwise indicated, the number of shares of our Class A common stock to be outstanding after this offering is based on shares of our Class A common stock outstanding as of March 31, 2017 and excludes:

- shares of our Class A common stock reserved for future issuance under our Omnibus Incentive Plan, which will become effective upon completion of this offering and contains provisions that automatically increase its share reserve each year; and
- shares of Class A common stock reserved as of the closing date of this offering for future issuance upon exchange of LLC Interests by the Continuing LLC Owners.

Unless otherwise indicated, all information in this prospectus reflects or assumes the following:

- the consummation of the Transactions;
- the filing and effectiveness of our amended and restated certificate of incorporation and the adoption of our bylaws, which will occur immediately prior to the closing of this offering;
- the consummation of a -for- stock split of our Class A common stock and Class B common stock; and
- no exercise by the underwriters of their option to purchase up to additional shares of Class A common stock in this offering.

## THE TRANSACTIONS

The Transactions will be effectuated by a recapitalization agreement by and among PetIQ, HoldCo, the Continuing LLC Owners, the Sponsor Corps and Certain Sponsors (the "Recapitalization Agreement"). See "—Organizational Structure Following This Offering" below for a chart depicting our organizational structure following the consummation of the Transactions and this offering.

Prior to this offering and prior to the contributions described below, the Continuing LLC Owners and the Sponsor Corps directly held all of the issued and outstanding interests in HoldCo, and Certain Sponsors held all of the issued and outstanding interests in the Sponsor Corps. Accordingly, Certain Sponsors had an indirect interest in HoldCo equal to the aggregate interest of the Sponsor Corps in HoldCo. The Sponsor Corps were formed in 2012, and they have no assets, liabilities or operations, other than as holding companies owning direct interests in HoldCo.

### Contributions

Pursuant to a contribution agreement to be entered into prior to this offering, Certain Sponsors will contribute all of their interests in the Sponsor Corps to PetIQ in exchange for shares of Class A common stock and Certain Sponsor Preference Notes payable by PetIQ. The Certain Sponsor Preference Notes will become immediately due and payable upon the consummation of this offering and will accrue interest at a rate of two percent per annum. Immediately following the contribution of the Sponsor Corps, each Sponsor Corp will become a wholly owned subsidiary of PetIQ. We refer to these contributions as the "Contributions." The Contributions will be effected prior to the time our Class A common stock is registered under the Securities Act and prior to the completion of this offering.

### Reclassification

Prior to the completion of this offering, the HoldCo Agreement will be amended and restated to, among other things, modify the capital structure of HoldCo to create a single new class of units, the LLC Interests, which will be allocated to the Sponsor Corps and the Continuing LLC Owners. We refer to this capital structure modification as the "Reclassification."

The Continuing LLC Owners will exchange certain LLC interests for Continuing LLC Owner Preference Notes payable by PetIQ and/or shares of Class B common stock and will receive certain LLC Interests. The Continuing LLC Owners will receive one share of Class B common stock for each LLC Interest they hold. The shares of Class B common stock have no economic rights but entitle the holder to one vote per share on matters presented to stockholders of PetIQ. As a result, following the Contributions and the Reclassification, LLC Interests will be held by the Continuing LLC Owners and by PetIQ, which will hold its interests indirectly through the Sponsor Corps. All of the shares of Class A common stock that will be outstanding following the Contributions and the Reclassification, but prior to the completion of this offering, will be held by Certain Sponsors. The Reclassification will be effected prior to the time our Class A common stock is registered under the Securities Act and prior to the completion of this offering.

Pursuant to the HoldCo Agreement, PetIQ will be designated as the sole managing member of HoldCo. Accordingly, PetIQ will have the right to determine when distributions will be made by HoldCo to its members and the amount of any such distributions (subject to the requirements with respect to the tax distributions described below).

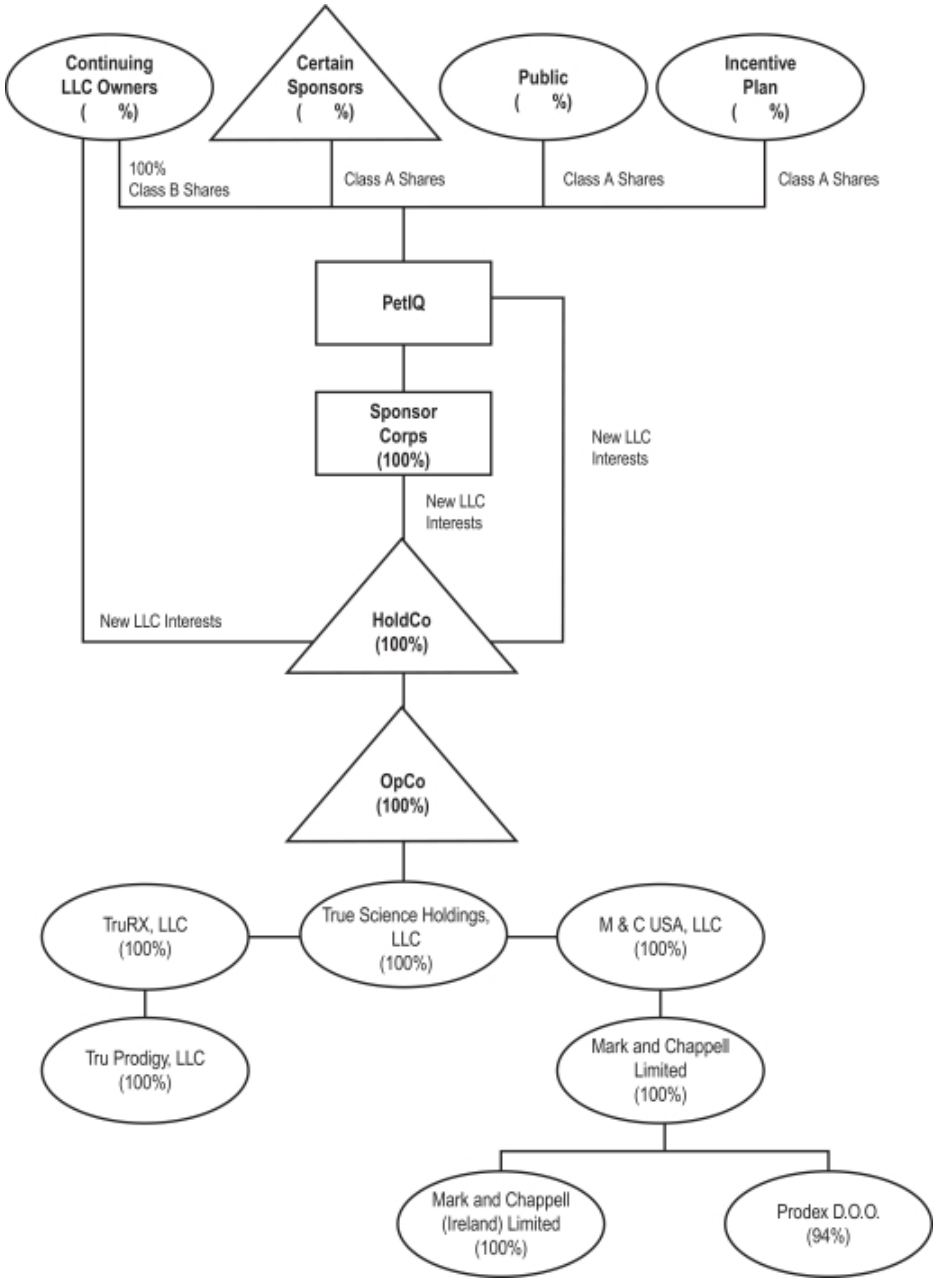
Immediately following the Reclassification, we will be a holding company and our principal asset will be the LLC interests we purchase from the Sponsor Corps and acquire from the Continuing LLC Owners. As the sole managing member of HoldCo, we will operate and control all of the business and affairs of HoldCo and, through HoldCo and its subsidiaries, conduct our business. Accordingly, although we will have a minority economic interest in HoldCo, we will control the management of, and have a controlling interest in, HoldCo and, therefore, we will be the primary beneficiary of HoldCo. As a result, we will consolidate the financial

results of Holdco pursuant to the variable-interest entity ("VIE") accounting model, and a portion of our net income (loss) will be allocated to the non-controlling interest to reflect the entitlement of Continuing LLC Owners to a portion of Holdco's net income (loss). See "Unaudited Pro Forma Condensed Consolidated Financial Information."

Other than its purchase of LLC Units with the net proceeds of this offering, as of the closing date of this offering, PetIQ has not provided any financial or other support to HoldCo. Following this offering, PetIQ will not be required to provide financial or other support for HoldCo, though it will control HoldCo's business and other activities through its managing member interest in HoldCo. Because PetIQ is not a guarantor or obligor with respect to any of the liabilities of HoldCo, absent any such arrangement, the creditors of HoldCo will not have any recourse to the general credit of PetIQ. Nevertheless, because PetIQ will have no material assets other than its interests in HoldCo, any change in HoldCo's financial condition could result in PetIQ recognizing a loss.

**Organizational Structure Following This Offering**

The diagram below depicts our organizational structure immediately following this offering, after giving effect to the Transactions, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock.



## SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present the summary historical consolidated financial and other data for OpCo and its subsidiaries. OpCo is the predecessor of the issuer, PetIQ, for financial reporting purposes.

The summary consolidated statement of operations data for each of the years in the two-year period ended December 31, 2016 and the summary consolidated balance sheet data as of December 31, 2016 and 2015 are derived from the audited consolidated financial statements of OpCo included elsewhere in this prospectus. The summary consolidated statement of operations data for the fiscal quarters ended March 31, 2017 and 2016 and the summary consolidated balance sheet data as of March 31, 2017 are derived from the unaudited consolidated financial statements of OpCo included elsewhere in this prospectus.

The results of operations for the periods presented below are not necessarily indicative of the results to be expected for any future period and the results for any interim period are not necessarily indicative of the results that may be expected for a full year. The information set forth below should be read together with the "Selected Consolidated Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus.

The summary historical consolidated financial and other data of PetIQ have not been presented as PetIQ has had no business transactions or activities to date and had no assets or liabilities during the periods presented in this section.

| | HISTORICAL OPCO | | | |
|---|---|---|---|---|
| | THREE MONTHS ENDED MARCH 31, | | YEAR ENDED DECEMBER 31, | |
| (dollars in thousands, except per share data) | 2017 | 2016 | 2016 | 2015 |
| **Consolidated statement of operations data:** | | | | |
| Net sales | $ 67,029 | $ 52,298 | $200,162 | $205,687 |
| Cost of sales | 54,829 | 42,526 | 167,615 | 166,529 |
| Gross profit | 12,200 | 9,772 | 32,547 | 39,158 |
| Operating expenses | | | | |
| General and administrative expenses | 7,405 | 8,063 | 31,845 | 35,588 |
| Operating income | 4,795 | 1,709 | 702 | 3,570 |
| Other expense | | | | |
| Other expense (income), net | 3 | (2) | (666) | — |
| Loss on debt extinguishment | — | 993 | 1,681 | 1,449 |
| Foreign currency loss (gain), net | 49 | 121 | 24 | (75) |
| Interest expense | 464 | 901 | 3,058 | 3,545 |
| Total other expense | 516 | 2,013 | 4,097 | 4,919 |
| Net income (loss) | $ 4,279 | $ (304) | $ (3,395) | $ (1,349) |
| Pro forma weighted average shares of Class A common stock outstanding (unaudited): (1) | | | | |
| Basic | | | | |
| Diluted | | | | |
| Pro forma net (loss) income per Class A common share (unaudited): (1) | | | | |
| Basic | | | | |
| Diluted | $ | $ | $ | $ |

(1) Gives effect to the Transactions and this offering. See "Unaudited Pro Forma Consolidated Financial Information" for a detailed presentation of the unaudited pro forma information, including a description of the transactions and assumptions underlying the pro forma adjustments.

| | HISTORICAL OPCO | | |
|---|---|---|---|
| | AS OF MARCH 31, | AS OF DECEMBER 31, | |
| (dollars in thousands) | 2017 | 2016 | 2015 |
| **Consolidated balance sheet data:** | | | |
| Cash and cash equivalents | $ 1,376 | $ 767 | $ 3,250 |
| Total assets | 106,706 | 81,330 | 92,335 |
| Total debt | 47,524 | 29,466 | 34,953 |
| Total liabilities | 61,307 | 40,348 | 46,060 |
| Total members'/stockholders' equity | 45,399 | 40,982 | 46,275 |

| | HISTORICAL OPCO | | | |
|---|---|---|---|---|
| | THREE MONTHS ENDED MARCH 31, | | YEAR ENDED DECEMBER 31, | |
| (dollars in thousands) | 2017 | 2016 | 2016 | 2015 |
| **Other Data (a)** | | | | |
| EBITDA **(a)** | $ 5,539 | $ 1,345 | $ 2,645 | $4,773 |
| Adjusted EBITDA **(a)** | 5,729 | 3,806 | 10,632 | 6,549 |
| Capital Expenditures | 518 | 753 | 2,041 | 1,550 |

(a) EBITDA and Adjusted EBITDA are non-GAAP financial measures. The following table reconciles net loss, the most comparable GAAP measure, to EBITDA and Adjusted EBITDA for the periods presented:

| | THREE MONTHS ENDED MARCH 31, | | YEAR ENDED DECEMBER 31, | | | TWELVE MONTHS ENDED MARCH 31, |
|---|---|---|---|---|---|---|
| (dollars in thousands) | 2017 | 2016 | 2016 | 2015 | 2014 | 2017 |
| Net income (loss) | $ 4,279 | $ (304) | $ (3,395) | $(1,349) | $(10,991) | $ 1,188 |
| Non-GAAP adjustments: | | | | | | |
| Depreciation | 536 | 476 | 1,915 | 1,842 | 1,456 | 1,975 |
| Amortization | 260 | 272 | 1,067 | 735 | 842 | 1,055 |
| Interest | 464 | 901 | 3,058 | 3,545 | 980 | 2,621 |
| EBITDA | 5,539 | 1,345 | 2,645 | 4,773 | (7,713) | 6,839 |
| Loss on debt extinguishment (1) | — | 993 | 1,681 | 1,449 | — | 688 |
| Litigation expenses (2) | — | 1,349 | 3,262 | 2,622 | 1,867 | 1,913 |
| Costs associated with becoming a public company | — | — | 2,180 | 626 | — | 2,180 |
| Supplier receivable write-off (3) | — | — | — | 1,449 | — | — |
| Management fees (4) | 190 | 119 | 864 | 462 | 460 | 935 |
| One-time sales opportunity(5) | — | — | — | (4,832) | — | — |
| Adjusted EBITDA | $ 5,729 | $ 3,806 | $10,632 | $ 6,549 | $ (5,386) | $ 12,555 |

(1) Loss on debt extinguishment reflects costs relating to the refinancing of our prior credit facility, including a write-off of unamortized loan fees, legal fees and termination fees.

(2) These litigation expenses relate to cases involving the Company that were favorably resolved in the second quarter of 2016. The Company expects litigation expenses to decline in 2017.

(3) During 2015 the Company terminated its relationship with a supplier in accordance with a supply agreement, resulting in the Company writing off the full amount of cash advanced to the supplier as a supplier prepayment on the procurement of inventory as of December 31, 2015. Subsequent to December 31, 2015, the Company initiated litigation to attempt to collect the cash advanced to the supplier.

(4) Represents annual fees paid pursuant to our management agreements with Eos, Porchlight and Labore. The management agreements will terminate in connection with this offering; however, we will pay fees to members of our board of directors following the offering. See “Certain Relationships and Related Party Transactions.”

(5) The Company realized $16.6 million in net sales to Walmart as part of a one-time sales opportunity in 2015. These sales to Walmart did not recur in 2016.

# RISK FACTORS

*Investing in our Class A common stock involves a high degree of risk. You should carefully consider each of the following risk factors, as well as the other information in this prospectus, including our consolidated financial statements and the related notes, before deciding whether to invest in shares of our Class A common stock. If any of the following risks actually occurs, our business, results of operations and financial condition may be materially adversely affected. In that event, the trading price of our Class A common stock could decline and you could lose all or part of your investment.*

## Risks Related to Our Business and Industry

***We are dependent on a relatively limited number of customers for a significant portion of our net sales.***

Our two largest retail customers, Walmart and Sam's Club, accounted for 39% and 21% of our net sales in 2015, 33% and 21% of our net sales in 2016 and 28% and 19% of our net sales in the first quarter of 2017, respectively. No other retail customer has accounted for 10% or more of our net sales for these periods. In addition, Anda, Inc. ("Anda"), which distributes our products to pharmacies, accounted for 14% of our net sales in 2015, 15% of our net sales in 2016 and 12% of our net sales in the first quarter of 2017. If we were to lose any of our key customers, if any of our key customers reduce the amount of their orders or if any of our key customers consolidate, reduce their store footprint and/or gain greater market power, our business, financial condition and results of operations may be materially adversely affected. We may be similarly adversely impacted if any of our key customers experience any financial or operational difficulties or generate less traffic.

In addition, we generally do not enter into long-term contracts with our retail customers. As a result, we rely on consumers' continuing demand for our products and our position in the market for all purchase orders. If our retail customers change their pricing, margin expectations or business terms (including through the imposition of warehouse and other fees), change their business strategies as a result of industry consolidation or otherwise, reduce the number of brands or product lines they carry, decrease their advertising or promotional efforts for, or the amount of shelf space they allocate to, our products or allocate greater shelf space to other products, our net sales could decrease and our business, financial condition and results of operations may be materially adversely affected. For example, in the fourth quarter of 2015, Walmart advised us that it would not purchase certain product lines from us in 2016 that accounted for approximately $17 million of our net sales in 2015. However, since then, Walmart has agreed to purchase certain new product lines from us that it has not purchased from us in the past, including *Advecta 3*.

***We may not be able to successfully implement our growth strategy on a timely basis or at all.***

Our future success depends, in large part, on our ability to implement our growth strategy, including introducing products and expanding into new markets, attracting new consumers to our brand and sub-brands, improving placement of our products in the stores of our retail customers and expanding our distribution. In particular, we recently began to expand our sales plan to include online sales. We also plan to expand our product offerings and have given consideration to applying the business model we developed for the sale of pet treats to the sale of a complete array of food products for dogs and cats. Our ability to implement this growth strategy depends, among other things, on our ability to:

- develop new proprietary value-branded products and product line extensions that appeal to consumers;
- continue to effectively compete in our industry;
- increase our brand and sub-brand recognition by effectively implementing our marketing strategy and advertising initiatives;
- maintain and, to the extent necessary, improve our high standards for product quality, safety and integrity;
- expand and maintain brand and sub-brand loyalty;
- secure shelf space in the stores of our retail customers; and
- enter into distribution and other strategic arrangements with traditional retailers and other potential distributors of our products.

We may not be able to successfully implement our growth strategy and may need to change our strategy in order to maintain our growth. If we fail to implement our growth strategy or if we invest resources in a growth strategy that ultimately proves unsuccessful, our business, financial condition and results of operations may be materially adversely affected.

***We have incurred net losses in the past and may be unable to achieve or sustain profitability in the future.***

We incurred net losses of $3.4 million, $1.3 million and $11.0 million for the years ended December 31, 2016, 2015 and 2014, respectively. As of March 31, 2017, we had an accumulated deficit of $25.9 million. We expect to continue to incur significant product commercialization and regulatory, sales and marketing and other expenses. In addition, our general and administrative expenses will increase following this offering due to the additional costs associated with being a public company. The net losses we incur may fluctuate significantly from quarter to quarter. We will need to generate additional net sales or increased gross margin to achieve and sustain profitability, and even if we achieve profitability, we cannot be sure that we will remain profitable for any substantial period of time. Our failure to achieve or maintain profitability could negatively impact the value of our common stock.

***If we continue to grow rapidly, we may not be able to manage our growth effectively.***

Our historical rapid growth has placed and, if continued, may continue to place significant demands on our management and our operational and financial resources. Our organizational structure may become more complex as we add additional staff, and we would likely require more resources to grow and continue to improve our operational, management and financial controls. If we are not able to manage our growth effectively, our business, financial condition and results of operations may be materially adversely affected.

***We operate in a highly competitive industry and may lose market share or experience margin erosion if we are unable to compete effectively.***

The pet health and wellness industry is highly competitive. We compete on the basis of product and ingredient quality, product availability, palatability, brand awareness, loyalty and trust, product variety and innovation, product packaging and design, shelf space, reputation, price and convenience and promotional efforts. We compete directly and indirectly with both manufacturers and distributors of pet health and wellness products, including online distributors and veterinarians. We face direct competition from companies that distribute various pet medications and pet health and wellness products to traditional retailers, such as Perrigo, Unicharm Company and Central Garden and Pet Company, all of which are larger than we are and have greater financial resources. We also face competition in our other pet health and wellness products category from companies such as Nestlé S.A. (“Nestlé”), Mars, Inc. (“Mars”) and The J.M. Smucker Company (“Smucker”), all of which are larger than we are and have greater financial resources.

Although we do not compete with various human drug distributors today, we have no way to guarantee that they will not enter into the market in the future. These distributors, such as McKesson Corporation, AmerisourceBergen Corporation and Cardinal Health, Inc., are larger than we are and have greater financial resources than we do.

These competitors may be able to identify and adapt to changes in consumer preferences more quickly than us due to their resources and scale. They may also be more successful in marketing and selling their products, better able to increase prices to reflect cost pressures and better able to increase their promotional activity, which may impact us and the entire pet health and wellness industry. If these or other competitive pressures cause our products to lose market share or experience margin erosion, our business, financial condition and results of operations may be materially adversely affected.

***We face significant competition from veterinarians and may not be able to compete profitably with them.***

We compete indirectly with veterinarians for the sale of pet medications and other health and wellness products. Veterinarians hold a competitive advantage over us because many pet owners may find it more convenient or preferable to purchase these products directly from their veterinarians at the time of an office visit. In order to effectively compete with veterinarians in the future, we may be required to incur additional costs for marketing, promotions and other incentives, which may result in lower operating margins and adversely affect the results of operations.

***Resistance from veterinarians to authorize prescriptions, or attempts/efforts on their part to discourage pet owners to purchase from retailers and pharmacies could cause our net sales to decrease and could materially adversely affect our financial condition and results of operations.***

Since we began our operations some veterinarians have resisted providing, or simply refuse to provide, pet owners with a copy of their pet’s prescription or authorizing the prescription to an outside pharmacy, thereby effectively preventing outside pharmacies from filling such prescriptions under state law. We have also been informed by customers and consumers that veterinarians on certain occasions have tried to discourage pet owners from purchasing from the retail channel. If the number of veterinarians who refuse to authorize prescriptions should

increase, or if veterinarians are successful in discouraging pet owners from purchasing from outside retailers and pharmacies, our net sales could decrease and our financial condition and results of operations may be materially adversely affected.

***The Fairness to Pet Owners Act of 2017 may never be enacted into law, and even if it does become law, it may not change consumer behavior.***

Traditionally, veterinarians have not offered portable pet prescriptions to pet owners, with the result that pet owners have generally purchased Rx medications directly from veterinarians' offices. During the current congressional term, however, members of the House of Representatives proposed federal legislation entitled the FTPOA, which would, among other things, require veterinarians in every U.S. state to give a pet owner a copy of his or her pet's prescription, regardless of whether the owner makes a request. The pet owner would then be free to fill the prescription at a retail store, including at retailers that now sell our products. The proposed legislation could greatly accelerate the shift from consumers purchasing pet Rx medications from veterinarians to purchasing such medications through traditional retail channels. Such acceleration could, in turn, increase our product sales, thereby improving our net sales, financial condition and results of operations. However, the proposed legislation is subject to legislative and political processes and accordingly may never become law. Additionally, even if the proposed legislation were to become law, there can be no guarantee that all veterinarians would follow the law and that it would accelerate or impact current trends of pet owners purchasing pet Rx medications in retail channels.

***Any damage to our reputation or our brand or sub-brands may materially adversely affect our business, financial condition and results of operations.***

Maintaining, developing and expanding our reputation with consumers, our retail customers and our suppliers is critical to our success. Our brand and sub-brands may suffer if our marketing plans or product initiatives are not successful. The importance of our brand and sub-brands may decrease if competitors offer more products with formulations similar to the products that we manufacture. Further, our brand and sub-brands may be negatively impacted due to real or perceived quality issues or if consumers perceive us as being untruthful in our marketing and advertising, even if such perceptions are not accurate. Product contamination, the failure to maintain high standards for product quality, safety and integrity, including raw materials and ingredients obtained from suppliers, or allegations of product quality issues, mislabeling or contamination, even if untrue or caused by our contract manufacturing partners or raw material suppliers, may reduce demand for our products or cause production and delivery disruptions. We maintain guidelines and procedures to ensure the quality, safety and integrity of our products. However, we may be unable to detect or prevent product and/or ingredient quality issues, mislabeling or contamination, particularly in instances of fraud or attempts to cover up or obscure deviations from our guidelines and procedures. If any of our products become unfit for consumption, cause injury or are mislabeled, we may have to engage in a product recall and/or be subject to liability. Damage to our reputation or our brand or sub-brands or loss of consumer confidence in our products for any of these or other reasons could result in decreased demand for our products and our business, financial condition and results of operations may be materially adversely affected.

***Our growth and business are dependent on trends that may change, and our historical growth may not be indicative of our future growth.***

The growth of our business depends primarily on the continued shift from consumers purchasing pet health and wellness products from veterinarians to purchasing such products through traditional retail channels, growth of the pet health and wellness products market and popularity of pet ownership, as well as on general economic conditions. These trends may not continue or may change. In the event of a decline in consumers purchasing pet health and wellness products through traditional retail channels, a change in pet health and wellness trends or a decrease in the overall number of pets, or during challenging economic times, we may be unable to persuade our retail customers and consumers to purchase our products, and our business, financial condition and results of operations may be materially adversely affected and our growth rate may slow or stop.

***There may be decreased spending on pets in a challenging economic climate.***

The United States has from time to time experienced challenging economic conditions, and the global financial markets have recently undergone and may continue to experience significant volatility and disruption. Our business, financial condition and results of operations may be materially adversely affected by a challenging economic climate, including adverse changes in interest rates, volatile commodity markets and inflation, contraction in the availability of credit in the market and reductions in consumer spending. The keeping of pets and the purchase of pet-related

products may constitute discretionary spending for some consumers and any material decline in the amount of consumer discretionary spending may reduce overall levels of pet ownership or spending on pets. As a result, a slow-down in the general economy may cause a decline in demand for our products. In addition, we cannot predict how worsening economic conditions would affect our retail customers and suppliers. If economic conditions result in decreased spending on pets and have a negative impact on our retail customers and suppliers, our business, financial condition and results of operations may be materially adversely affected.

***Our business depends, in part, on the sufficiency and effectiveness of our marketing and trade promotion programs and incentives.***

Due to the highly competitive nature of our industry, we must effectively and efficiently promote and market our products through television, internet and print advertisements as well as through trade promotions and incentives to sustain and improve our competitive position in our market. Marketing investments may be costly. In addition, we may, from time to time, change our marketing strategies and spending, including the timing or nature of our trade promotions and incentives. We may also change our marketing strategies and spending in response to actions by our customers, competitors and other companies that manufacture and/or distribute pet health and wellness products. The sufficiency and effectiveness of our marketing and trade promotions and incentives are important to our ability to retain and improve our market share and margins. If our marketing and trade promotions and incentives are not successful or if we fail to implement sufficient and effective marketing and trade promotions and incentives or adequately respond to changes in industry marketing strategies, our business, financial condition and results of operations may be adversely affected.

***If our products are alleged to cause injury or illness or fail to comply with governmental regulations, we may need to recall our products and may experience product liability claims.***

Our products may be subject to product recalls, including voluntary recalls or withdrawals, if they are alleged to pose a risk of injury or illness, or if they are alleged to have been mislabeled, misbranded or adulterated or to otherwise be in violation of governmental regulations. We may also voluntarily recall or withdraw products in order to protect our brand or reputation if we determine that they do not meet our standards, whether for quality, palatability, appearance or otherwise. If there is any future product recall or withdrawal, it could result in substantial and unexpected expenditures, destruction of product inventory, damage to our reputation and lost sales due to the unavailability of the product for a period of time, and our business, financial condition and results of operations may be materially adversely affected. In addition, a product recall or withdrawal may require significant management attention and could result in enforcement action by regulatory authorities.

We also may be subject to product liability claims if the consumption or use of our products is alleged to cause injury or illness. Although we carry product liability insurance, our insurance may not be adequate to cover all liabilities that we may incur in connection with product liability claims. For example, punitive damages are generally not covered by insurance. If we are subject to substantial product liability claims in the future, we may not be able to continue to maintain our existing insurance, obtain comparable insurance at a reasonable cost, if at all, or secure additional coverage. This could result in future product liability claims being uninsured. If there is a product liability judgment against us or a settlement agreement related to a product liability claim, our business, financial condition and results of operations may be materially adversely affected. In addition, even if product liability claims against us are not successful or are not fully pursued, these claims could be costly and time-consuming and may require management to spend time defending claims rather than operating our business.

***To the extent our retail customers purchase products in excess of consumer consumption in any period, our net sales in a subsequent period may be adversely affected as our retail customers seek to reduce their inventory levels.***

From time to time, our retail customers may purchase more products than they expect to sell to consumers during a particular time period. Our retail customers may grow their inventory in anticipation of, or during, our promotional events, which typically provide for reduced prices during a specified time or other incentives. Our retail customers may also increase inventory in anticipation of a price increase for our products, or otherwise over-order our products as a result of overestimating demand for our products. If a retail customer increases its inventory during a particular reporting period as a result of a promotional event, anticipated price increase or otherwise, then our net sales during the subsequent reporting period may be adversely impacted as our retail customers seek to reduce their inventory to customary levels. This effect may be particularly pronounced when the promotional event, price increase or other event occurs near the end or beginning of a reporting period or when there are changes in the timing of a

promotional event, price increase or similar event, as compared to the prior year. To the extent our retail customers seek to reduce their usual or customary inventory levels or change their practices regarding purchases in excess of consumer consumption, our net sales and results of operations may be materially adversely affected in that or subsequent periods.

***We may not be able to manage our manufacturing and supply chain effectively, which may adversely affect our results of operations.***

We must accurately forecast demand for all of our products in order to ensure that we have enough products available to meet the needs of our retail customers. Our forecasts are based on multiple assumptions that may cause our estimates to be inaccurate and affect our ability to obtain adequate manufacturing capacity (whether our own manufacturing capacity or contract manufacturing capacity) in order to meet the demand for our proprietary value-branded products, which could prevent us from meeting increased retail customer or consumer demand and harm our brand, our sub-brands and our business. If we do not accurately align our manufacturing capabilities with demand, our business, financial condition and results of operations may be materially adversely affected.

If for any reason we were to change any one of our contract manufacturers, we could face difficulties that might adversely affect our ability to maintain an adequate supply of our proprietary value-branded products, and we would incur costs and expend resources in the course of making the change. Moreover, we might not be able to obtain terms as favorable as those received from our current contract manufacturers, which in turn would increase our costs.

In addition, we must continuously monitor our inventory and product mix against forecasted demand. If we underestimate demand, we risk having inadequate supplies. We also face the risk of having too much inventory on hand that may reach its expiration date and become unsalable, and we may be forced to rely on markdowns or promotional sales to dispose of excess or slow-moving inventory. If we are unable to manage our supply chain effectively, our operating costs could increase and our profit margins could decrease.

***We rely on our contract manufacturing partners to produce a significant portion of our products and disruptions in our contract manufacturers' systems or events outside our control could increase our cost of sales, adversely affect our net sales and injure our reputation and customer relationships, thereby harming our business.***

We have agreements with several contract manufacturers, who produce a significant portion of our proprietary value-branded products. The loss of any of these contract manufacturers or the failure for any reason of any of these contract manufacturers to fulfill their obligations under their agreements with us, including a failure to meet our quality controls and standards, may result in disruptions to our supply of products. We may be unable to locate an additional or alternate contract manufacturing arrangement in a timely manner or on commercially reasonable terms, if at all. Identifying a suitable manufacturer is an involved process that requires us to become satisfied with the prospective manufacturer's level of expertise, quality control, responsiveness and service, financial stability and labor practices.

Moreover, in the event of a disruption in our contract manufacturers' systems, we may be unable to locate alternative manufacturers of comparable quality at an acceptable price, or at all. The manufacture of our products may not be easily transferable to other sites in the event that any of our contract manufacturers experience breakdown, failure or substandard performance of equipment, disruption of supply or shortages of raw materials and other supplies, labor problems, power outages, adverse weather conditions and natural disasters or the need to comply with environmental and other directives of governmental agencies. From time to time, a contract manufacturer may experience financial difficulties, bankruptcy or other business disruptions, which could disrupt our supply of products or require that we incur additional expense by providing financial accommodations to the contract manufacturer or taking other steps to seek to minimize or avoid supply disruption, such as establishing a new contract manufacturing arrangement with another provider. Any delay, interruption or increased cost in the proprietary value-branded products that might occur for any reason could affect our ability to meet customer demand for our products, adversely affect our net sales, increase our cost of sales and hurt our results of operations. In addition, manufacturing disruption could injure our reputation and customer relationships, thereby harming our business.

***We currently purchase our distributed Rx and OTC medications from manufacturers and licensed distributors. We do not have any guaranteed supply of medications at any pre-established prices.***

We cannot guarantee that we will be able to purchase an adequate supply of Rx and OTC medications from manufacturers and licensed distributors to meet our customers' demands, or that we will be able to purchase these medications at competitive prices. As these medications represent a significant portion of our net sales, our failure to fill customer orders for these medications could adversely impact our net sales. If we are forced to pay higher prices for these medications to ensure an adequate supply, we cannot guarantee that we will be able to pass along to our customers any increases in the prices we pay for these medications. Additionally, in the event that the manufacturers of these Rx and OTC medications take action to prohibit our licensed distributors from selling such medications to us entirely, or dictate the pricing at which our licensed distributors sell such medications to us or that our retail customers sell such medications to end consumers, our financial condition and results of operations could be materially and adversely affected.

***If any of our independent transportation providers experience delays or disruptions, our business could be adversely affected.***

We currently rely on independent transportation service providers both to ship products to our manufacturing and distribution warehouses from our third-party suppliers and contract manufacturers and to ship products from our manufacturing and distribution warehouses to our retail customers. Our utilization of these delivery services, or those of any other shipping companies that we may elect to use, is subject to risks, including increases in fuel prices, which would increase our shipping costs, and employee strikes and inclement weather, which may impact the shipping company's ability to provide delivery services sufficient to meet our shipping needs. If any of the foregoing occurs, our business, financial condition and results of operations may be materially adversely affected.

***We may seek to grow our business through acquisitions of or investments in new or complementary businesses, facilities, technologies or products, or through strategic alliances, and the failure to manage acquisitions, investments or strategic alliances, or the failure to integrate them with our existing business, could have a material adverse effect on us.***

From time to time we may consider opportunities to acquire or make investments in new or complementary businesses, facilities, technologies or products, or enter into strategic alliances, that may enhance our capabilities, expand our manufacturing network, complement our current products or expand the breadth of our markets. Potential and completed acquisitions and investments and other strategic alliances involve numerous risks, including:

- problems integrating the purchased business, facilities, technologies or products;
- issues maintaining uniform standards, procedures, controls and policies;
- unanticipated costs associated with acquisitions, investments or strategic alliances;
- diversion of management's attention from our existing business;
- adverse effects on existing business relationships with suppliers, contract manufacturers, and retail customers;
- risks associated with entering new markets in which we have limited or no experience;
- potential loss of key employees of acquired businesses; and
- increased legal and accounting compliance costs.

We do not know if we will be able to identify acquisitions or strategic relationships we deem suitable, whether we will be able to successfully complete any such transactions on favorable terms or at all or whether we will be able to successfully integrate any acquired business, facilities, technologies or products into our business or retain any key personnel, suppliers or customers. Our ability to successfully grow through strategic transactions depends upon our ability to identify, negotiate, complete and integrate suitable target businesses, facilities, technologies and products and to obtain any necessary financing. These efforts could be expensive and time-consuming and may disrupt our ongoing business and prevent management from focusing on our operations. If we are unable to integrate any acquired businesses, facilities, technologies and products effectively, our business, results of operations and financial condition could be materially adversely affected.

***The growth of our business depends in part on our ability to introduce new products and improve existing products, and our research and development and partnership efforts may fail to generate new product developments.***

A key element of our growth strategy depends on both our existing product portfolio and our ability to develop and market new products and improvements to our existing products, including those that we may develop through partnerships. The success of our innovation and product development efforts is affected by the technical capability of our product development staff and third-party consultants in developing and testing new products, including complying with governmental regulations, our attractiveness as a partner for outside research and development scientists and entrepreneurs and the success of our management and sales team in introducing and marketing new products.

We may be unable to determine with accuracy when or whether any of our products now under development will be approved or launched, and we may be unable to develop or otherwise acquire product candidates or products. Additionally, we cannot predict whether any such products, once launched, will be commercially successful. Furthermore, the timing and cost of our R&D initiatives may increase as a result of additional government regulation or otherwise, making it more time-consuming and/or costly to research, test and develop new products. If we are unable to successfully develop or otherwise acquire new products, our financial condition and results of operations may be materially adversely affected.

***Failure to protect our intellectual property could harm our competitive position or require us to incur significant expenses to enforce our rights.***

Our success depends in part on our ability to protect our intellectual property rights. Our trademarks such as "*PetIQ," "PetAction," "Advecta," "PetLock," "HeartShield," "TruProfen," "Betsy Farms," "Minties," "Vera," "Delightibiles," "VetIQ"* and others are valuable assets that support our brand, sub-brands and consumers' perception of our products. We rely on trademark, copyright, trade secret, patent and other intellectual property laws, as well as nondisclosure and confidentiality agreements and other methods, to protect our trademarks, trade names, proprietary information, technologies and/or processes. Our non-disclosure agreements and confidentiality agreements may not effectively prevent disclosure of our proprietary information, technologies and processes and may not provide an adequate remedy in the event of unauthorized disclosure of such information, which could harm our competitive position. In addition, effective patent, copyright, trademark and trade secret protection may be unavailable or limited for some of our intellectual property rights and trade secrets in foreign countries. We may need to engage in litigation or similar activities to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of proprietary rights of others. Any such litigation could require us to expend significant resources and divert the efforts and attention of our management and other personnel from our business operations. If we fail to protect our intellectual property, our business, financial condition and results of operations may be materially adversely affected.

***We may be subject to intellectual property infringement claims or other allegations, which could result in substantial damages and diversion of management's efforts and attention.***

We have obligations to respect third-party intellectual property. The steps we take to prevent misappropriation, infringement or other violation of the intellectual property of others may not be successful. From time to time, third parties have asserted intellectual property infringement claims against us and our retail customers and may continue to do so in the future. For example, Bayer Healthcare, Inc. filed suit against Cap IM Supply, Inc. ("Cap IM"), our supplier of Advecta 3 and PetLock Max, alleging that these products infringed Bayer's intellectual property and seeking damages and to enjoin Cap IM from selling Advecta 3 and PetLock Max to us. See "Business—Legal Proceedings". Although we believe that our products and manufacturing processes do not infringe in any material respect upon proprietary rights of other parties and/or that meritorious defenses would exist with respect to any assertions of infringement of other parties, we may from time to time be found to infringe on the proprietary rights. For example, patent applications in the United States and some foreign countries are generally not publicly disclosed until the patent application is published, and we may not be aware of currently filed patent applications that relate to our products or processes. If patents later issue on these applications, we may be found liable for subsequent infringement. Such claims that our products or processes infringe these rights, regardless of their merit or resolution, could be costly and may divert the efforts and attention of our management and technical personnel. In part due to the complex technical issues and inherent uncertainties in intellectual property litigation, we cannot predict whether we will prevail in such proceedings. If such proceedings result in an adverse outcome, we could, among other things, be required to:

- pay substantial damages (potentially treble damages in the United States);

- cease the manufacture, use or sale of the infringing products;
- discontinue the use of the infringing processes;
- expend significant resources to develop non-infringing processes; and
- enter into licensing arrangements with the third party claiming infringement, which may not be available on commercially reasonable terms, or may not be available at all.

If any of the foregoing occurs, our ability to compete could be affected and our business, financial condition and results of operations may be materially adversely affected.

***Adverse litigation judgments or settlements resulting from legal proceedings relating to our business operations could materially adversely affect our business, financial condition and results of operations.***

From time to time, we are subject to allegations, and may be party to legal claims and regulatory proceedings, relating to our business operations. Such allegations, claims and proceedings may be brought by third parties, including our customers, employees, governmental or regulatory bodies or competitors. Defending against such claims and proceedings, regardless of their merits or outcomes, is costly and time consuming and may divert management's attention and personnel resources from our normal business operations, and the outcome of many of these claims and proceedings cannot be predicted. If any of these claims or proceedings were to be determined adversely to us, a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against us, our reputation could be affected and our business, financial condition and results of operations could be materially adversely affected.

***A failure of one or more key information technology systems, networks or processes may materially adversely affect our ability to conduct our business.***

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our sales and marketing, accounting and financial and legal and compliance functions, engineering and product development tasks, research and development data, communications, supply chain, order entry and fulfillment and other business processes. We also rely on third parties and virtualized infrastructure to operate and support our information technology systems. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies and the loss of sales and customers, causing our business and results of operations to suffer.

In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, power outages, systems failures, security breaches, cyber-attacks and computer viruses. The failure of our information technology systems to perform as a result of any of these factors or our failure to effectively restore our systems or implement new systems could disrupt our entire operation and could result in decreased sales, increased overhead costs, excess inventory and product shortages and a loss of important information. Further, to the extent that we have customer information in our databases, any unauthorized disclosure of, or access to, such information could result in claims under data protection laws and regulations and could damage our reputation and result in lost sales. If any of these risks materialize, our reputation and our ability to conduct our business may be materially adversely affected.

***We are subject to extensive and ongoing governmental regulation and we may incur material costs in order to comply with existing or future laws and regulations, and our failure to comply may result in enforcement, recalls and other adverse actions or significant penalties.***

We are subject to a broad range of federal, state, local and foreign laws and regulations intended to protect public health and safety, natural resources and the environment. See "Business—Government Regulation." Our operations are subject to extensive and ongoing regulation by the FDA, EPA, the U.S. Department of Agriculture (the "USDA"), the Florida Department of Health and by various other federal, state, local and foreign authorities regarding the manufacturing, processing, packaging, storage, distribution, advertising, labeling and import and export of our products, including drug and food safety standards. Our operations also are subject to regulation regarding the availability and use of pesticides, emissions and discharges to the environment, and the treatment, handling, storage and disposal of materials and wastes. Many of these laws and regulations are becoming increasingly stringent and compliance with them is becoming increasingly expensive. Costs of compliance, and the impacts on us of any non-compliance, with any such laws and regulations could materially adversely affect our business, financial condition and results of operations.

Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with our third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the marketing or manufacturing of the product, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, warning letters or holds on target animal studies;
- refusal by applicable regulatory authorities to approve pending applications or supplements to approved applications, or suspension or revocation of product approvals;
- product seizure or detention, or refusal to permit the import or export of products; and
- injunctions or the imposition of civil or criminal penalties.

Regulatory policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of any current or future product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained, which would adversely affect our business.

Our business is also affected by export and import controls and similar laws and regulations, both in the United States and elsewhere. Issues such as national security or health and safety, which may slow or otherwise restrict imports or exports, may adversely affect our business, financial condition and results of operations.

Violations of or liability under any of these laws and regulations may result in administrative, civil or criminal fines or penalties against us, revocation or modification of applicable permits, environmental investigations or remedial activities, voluntary or involuntary product recalls, warning or untitled letters or cease and desist orders against or restrictions on operations that are not in compliance, among other things. Liability may be imposed under some laws and regulations regardless of fault or knowledge and regardless of the legality of the original action. These laws and regulations, or their interpretation, may change in the future and we may incur (directly, or indirectly through our contract manufacturers) material costs to comply with current or future laws and regulations or in any required product recalls.

***An increase in the costs associated with maintaining our international operations could adversely affect our results of operations.***

Certain factors may cause our international costs of doing business to exceed our comparable costs in North America. For example, in some countries, expanding our product offerings may require a close commercial relationship with one or more local banks, a shared ownership interest with a local entity or registration as a bank under local law. Such requirements may reduce our revenue, increase our costs or limit the scope of our activities in particular countries.

Further, because our international revenue is denominated in foreign currencies, we could become subject to increased difficulties in repatriating money without adverse tax consequences and increased risks relating to foreign currency exchange rate fluctuations. For example, the U.S. dollar has appreciated significantly against the Euro in recent periods. Further, we could be subject to the application of U.S. tax rules to acquired international operations and local taxation of our fees or of transactions on our websites.

We conduct portions of certain functions in regions outside of North America. Any factors that reduce the anticipated benefits, including cost efficiencies and productivity improvements, associated with providing these functions outside of North America, including increased regulatory costs associated with our international operations, could adversely affect our business.

***Our success depends on our ability to attract and retain key employees and the succession of senior management.***

Our continued growth and success requires us to hire, retain and develop our leadership team. If we are unable to attract and retain talented, highly qualified senior management and other key executives, as well as provide for the succession of senior management, our growth and results of operations may be adversely impacted.

***If our cash from operations is not sufficient to meet our current or future operating needs, expenditures and debt service obligations, our business, financial condition and results of operations may be materially adversely affected.***

Our ability to generate cash to meet our operating needs, expenditures and debt service obligations will depend on our future performance and financial condition, which will be affected by financial, business, economic legislative, regulatory and other factors, including potential changes in costs, pricing, the success of product innovation and marketing, competitive pressure and consumer preferences. If our cash flow and capital resources are insufficient to fund our debt service obligations and other cash needs, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. Our credit facility restricts our ability to take these actions and we may not be able to affect any such alternative measures on commercially reasonable terms or at all. If we cannot make scheduled payments on our debt, the lenders under our senior secured credit facilities can terminate their commitments to loan money, can declare all outstanding principal and interest to be due and payable and foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation. In addition, any downgrade of our debt ratings by any of the major rating agencies, which could result from our financial performance, acquisitions or other factors, would also negatively impact our access to additional debt financing (including leasing) or refinancing on favorable terms, or at all. Even if we are successful in taking any such alternative actions, such actions may not allow us to meet our scheduled debt service obligations and, as a result, our business, financial condition and results of operations may be materially adversely affected.

## Risks Related to Our Company and Our Organizational Structure

***Our principal asset after the completion of this offering will be our interest in HoldCo, and, accordingly, we will depend on distributions from HoldCo to pay our taxes and expenses. HoldCo's ability to make such distributions may be subject to various limitations and restrictions.***

Upon the consummation of this offering, we will be a holding company and will have no material assets other than our ownership of LLC Interests of HoldCo. As such, we will have no independent means of generating revenue or cash flow, and our ability to pay our taxes and operating expenses or declare and pay dividends in the future, if any, will be dependent upon the financial results and cash flows of HoldCo and its subsidiaries and distributions we receive from HoldCo. There can be no assurance that our subsidiaries will generate sufficient cash flow to distribute funds to us or that applicable state law and contractual restrictions, including negative covenants in our debt instruments, will permit such distributions.

HoldCo will continue to be treated as a partnership for U.S. federal income tax purposes and, as such, will not be subject to any entity-level U.S. federal income tax. Instead, taxable income will be allocated to holders of LLC Interests, including us. Accordingly, we will incur income taxes on our allocable share of any net taxable income of HoldCo. Under the terms of the HoldCo Agreement, HoldCo will be obligated to make tax distributions to holders of LLC Interests, including us. These tax distributions will be funded from available cash of HoldCo and its subsidiaries. These tax distributions will be computed, for us, based on our actual tax liability as a result of the net taxable income allocated to us as a result of owning interests in Holdco and, for all other holders of LLC Interests, based on the net taxable income of Holdco allocated to such holder of LLC Interests multiplied by an assumed, combined tax rate equal to the maximum rate applicable to an individual resident in New York, New York (taking into account the deductibility of state and local taxes and other applicable adjustments). In addition to tax expenses, we will also incur expenses related to our operations. We intend, as its managing member, to cause HoldCo to make cash distributions to the owners of LLC Interests in an amount sufficient to (i) fund all or part of their tax obligations in respect of taxable income allocated to them and (ii) cover our operating expenses. However, HoldCo's ability to make such distributions may be subject to various limitations and restrictions, such as restrictions on distributions that would either violate any contract or agreement to which HoldCo is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering HoldCo insolvent. Our credit agreement does not currently restrict our ability to make tax distributions, nor do we expect that it (or any successor thereto) should do so after the consummation of the Transactions. If we do not have sufficient funds to pay tax or other liabilities or to fund our operations, we may have to borrow funds, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders. See "Certain Relationships and Related Party Transactions—HoldCo Agreement—Distributions." In addition, if HoldCo does not have sufficient funds to make distributions, our ability to declare and pay cash dividends will also be restricted or impaired. See "—Risks Related to This Offering and Ownership of Our Class A Common Stock" and "Dividend Policy."

***If we were deemed to be an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), as a result of our ownership of HoldCo, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.***

Under Sections 3(a)(1)(A) and (C) of the 1940 Act, a company generally will be deemed to be an "investment company" for purposes of the 1940 Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company," as such term is defined in either of those sections of the 1940 Act.

As the sole managing member of HoldCo, we will control and operate HoldCo. On that basis, we believe that our interest in HoldCo is not an "investment security" as that term is used in the 1940 Act. However, if we were to cease participation in the management of HoldCo, our interest in HoldCo could be deemed an "investment security" for purposes of the 1940 Act.

We and HoldCo intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

***Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.***

Our amended and restated certificate of incorporation and amended and restated bylaws to become effective immediately prior to the consummation of this offering will contain provisions that may make the merger or acquisition of the Company more difficult without the approval of our board of directors. Among other things:

- a staggered board of directors;
- removal of directors, only for cause, by a supermajority of the voting power of stockholders entitled to vote;
- a provision denying stockholders the ability to call special meetings;
- a provision denying stockholders the ability to act by written consent;
- provisions waiving the corporate opportunity doctrine with respect to Certain Sponsors and their affiliates;
- advance notice requirements for stockholder proposals and nominations;
- amendment of our amended and restated charter by a supermajority of the voting power of stockholders entitled to vote; and
- the authorization of undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management, and may discourage, delay or prevent a transaction involving a change of control of our company that is in the best interest of our stockholders. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our Class A common stock if they are viewed as discouraging future takeover attempts. In addition, because we are incorporated in Delaware, we have opted out of Section 203 of the General Corporation Law of the State of Delaware (the "DGCL").

***Our board of directors is authorized to issue and designate shares of our preferred stock in additional series without stockholder approval.***

Our amended and restated certificate of incorporation authorizes our board of directors, without the approval of our stockholders, to issue shares of our preferred stock, subject to limitations prescribed by applicable law, rules and regulations and the provisions of our amended and restated certificate of incorporation, as shares of preferred stock in series, to establish from time to time the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or

restrictions thereof. The powers, preferences and rights of these additional series of preferred stock may be senior to or on parity with our Class A common stock, which may reduce its value.

***Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results of operations and financial condition.***

We are subject to taxes by the U.S. federal, state and local tax authorities, and our tax liabilities will be affected by the allocation of expenses to differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation; or
- changes in tax laws, regulations or interpretations thereof.

In addition, we may be subject to audits of our income, sales and other transaction taxes by U.S. federal, state and local taxing authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition.

## Risks Related to This Offering and Ownership of Our Class A Common Stock

***Our equity sponsors and management team, individually or in the aggregate, will have significant influence over us and their respective interests may conflict with yours in the future.***

After giving effect to the Transactions, our equity sponsors, Eos, Labore and Porchlight, will beneficially own approximately %, % and %, respectively, of our outstanding Class A common stock, approximately %, % and %, respectively, of our outstanding Class B common stock and approximately %, % and %, respectively, of the total voting power. In addition, after giving effect to the Transactions, our management team collectively will own % of our outstanding Class A common stock, % of our outstanding Class B common stock and % of the total voting power. As a result, our equity sponsors and founders have, individually or in the aggregate, the ability to significantly influence all matters submitted to our stockholders for approval, including:

- changes to the composition of our board of directors, which has the authority to direct our business and appoint and remove our officers;
- proposed mergers, consolidations or other business combinations; and
- amendments to our certificate of incorporation and bylaws, which govern the rights attached to our shares of common stock.

In addition, three of our directors (Mark First, David Krauser and James Clarke) are affiliated with our equity sponsors.

This concentration of ownership of shares of our Class A common stock could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of shares of our Class A common stock that might otherwise give you the opportunity to realize a premium over the then-prevailing market price of our Class A common stock. The interests of our equity sponsors may not always coincide with the interests of the other holders of our Class A common stock. This concentration of ownership may also adversely affect our stock price.

In the ordinary course of their business activities, any one of our equity sponsors and its affiliates may engage in activities where their interests conflict with our interests or those of our stockholders. Our amended and restated certificate of incorporation will provide that none of our equity sponsors, any of their affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his director and officer capacities) or his or her affiliates will have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Each of our equity sponsors also may pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. In addition, any one of our equity sponsors may have an interest in pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to you.

***We will incur increased costs and become subject to additional regulations and requirements as a result of becoming a newly public company, and our management will be required to devote substantial time to new compliance matters, which could lower our profits or make it more difficult to run our business.***

As a newly public company, we will incur significant legal, accounting and other expenses that we have not incurred as a private company, including costs associated with public company reporting requirements and costs of recruiting and retaining non-executive directors. We also have incurred and will incur costs associated with the Sarbanes-Oxley Act and related rules implemented by the SEC and NASDAQ. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. These laws and regulations also could make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Class A common stock, fines, sanctions and other regulatory action and, potentially, civil litigation.

***There may not be an active trading market for shares of our Class A common stock, which may cause shares of our Class A common stock to trade at a discount from the initial offering price and make it difficult to sell the shares of common stock you purchase.***

Prior to this offering, there has not been a public trading market for shares of our Class A common stock. It is possible that after this offering an active trading market will not develop or continue or, if developed, that any market will be sustained that would make it difficult for you to sell your shares of common stock at an attractive price or at all. The initial public offering price per share of common stock will be determined by agreement between us and the representatives of the underwriters and may not be indicative of the price at which shares of our Class A common stock will trade in the public market after this offering. The market price of our Class A common stock may decline below the initial offering price and you may not be able to sell your shares of our Class A common stock at or above the price you paid in this offering, or at all.

***The market price of shares of our Class A common stock may be volatile, which could cause the value of your investment to decline.***

Even if a trading market develops, the market price of our Class A common stock may be highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of shares of our Class A common stock in spite of our operating performance. In addition, our results of operations could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly results of operations, additions or departures of key management personnel, failure to meet analysts' earnings estimates, publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments and adverse publicity about our industry in or individual scandals, and in response the market price of shares of our Class A common stock could decrease significantly. You may be unable to resell your shares of common stock at or above the initial public offering price.

In the past few years, stock markets have experienced extreme price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.***

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us, our industry and our business. Security and industry research analysts do not currently provide research coverage on us, and we cannot assure you that any research analysts will provide research coverage on us or our securities after this offering. If one or more of the analysts who cover us downgrades our Class A common stock or publishes inaccurate or unfavorable research about our business, our stock price could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our Class A common stock could decrease, which could cause our stock price and trading volume to decline.

***Because we have no current plans to pay cash dividends on our Class A common stock, you may not receive any return on investment unless you sell your Class A common stock for a price greater than that which you paid for it.***

We have no current plans to pay cash dividends on our Class A common stock. The declaration, amount and payment of any future dividends will be at the sole discretion of our board of directors. Our board of directors may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us, including restrictions under our senior secured credit facilities and other indebtedness we may incur, and such other factors as our board of directors may deem relevant.

***If you purchase shares of common stock sold in this offering, you will incur immediate and substantial dilution.***

If you purchase shares of common stock in this offering, you will incur immediate and substantial dilution of $ per share based on the initial public offering price of $ per share, which is substantially higher than the pro forma net tangible book value per share of our outstanding common stock. In addition, you may also experience additional dilution, or potential dilution, upon future equity issuances to investors or to our employees and directors under our stock option and equity incentive plans. See “Dilution.”

***You may be diluted by the future issuance of additional common stock in connection with our incentive plans, acquisitions or otherwise.***

After this offering we will have approximately shares of common stock authorized but unissued. Our amended and restated certificate of incorporation to become effective immediately prior to the consummation of this offering authorizes us to issue these shares of common stock and options relating to common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. We have reserved shares for issuance under the 2016 Plan. See “Executive Compensation.” Any common stock that we issue, including under the Omnibus Incentive Plan or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by the investors who purchase common stock in this offering.

***Future sales, or the perception of future sales, by us or our existing stockholders in the public market following this offering could cause the market price for our Class A common stock to decline.***

The sale of substantial amounts of shares of our Class A common stock in the public market, or the perception that such sales could occur, including sales by any one of our equity sponsors, could harm the prevailing market price of shares of our Class A common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. Upon completion of this offering we will have a total of shares of our Class A common stock outstanding. Of the outstanding shares, the shares sold or issued in this offering (or shares if the underwriters exercise their option to purchase additional shares) will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by our affiliates, as that term is defined under Rule 144 under the Securities Act, may be sold only in compliance with the limitations described in “Shares Eligible for Future Sale.”

The remaining outstanding shares of common stock held by our existing owners after this offering will be subject to certain restrictions on resale. We, our executive officers, directors and all our existing stockholders, will sign lock-up agreements with the underwriters that will, subject to certain customary exceptions, restrict the sale of the shares of our Class A common stock and certain other securities held by them for 180 days following the date of this

prospectus. Jefferies LLC may, in its sole discretion and at any time without notice, release all or any portion of the shares or securities subject to any such lock-up agreements. See “Underwriting” for a description of these lock-up agreements.

Upon the expiration of the lock-up agreements described above, all of such shares (or shares if the underwriters exercise their option to purchase additional shares in full) will be eligible for resale in a public market, subject, in the case of shares held by our affiliates, to volume, manner of sale and other limitations under Rule 144. We expect that each of our equity sponsors will be considered an affiliate 180 days after this offering based on its expected share ownership (consisting of shares), as well as its board nomination rights. Certain other of our stockholders may also be considered affiliates at that time.

In addition, the Continuing LLC Owners and Certain Sponsors hold registration rights for the sale of and shares of our Class A common stock, respectively. Once we register these shares, they will be eligible for resale in the public market, subject only to the lock-up agreements described above and the limitations under Rule 144.

We intend to file one or more registration statements on Form S-8 under the Securities Act to register shares of our Class A common stock or securities convertible into or exchangeable for shares of our Class A common stock issued pursuant to the 2016 Plan. Any such Form S-8 registration statements will automatically become effective upon filing. Accordingly, shares registered under such registration statements will be available for sale in the open market. We expect that the initial registration statement on Form S-8 will cover shares of our Class A common stock.

As restrictions on resale end, the market price of our shares of common stock could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of common stock or other securities.

***Future offerings of debt securities, which would rank senior to our Class A common stock upon our bankruptcy or liquidation, and future offerings of equity securities that may be senior to our Class A common stock for the purposes of dividend and liquidating distributions, may adversely affect the market price of our Class A common stock.***

In the future, we may attempt to increase our capital resources by making offerings of debt securities or additional offerings of equity securities. Upon bankruptcy or liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our Class A common stock. Preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments or both that could limit our ability to make a dividend distribution to the holders of our Class A common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control. As a result, we cannot predict or estimate the amount, timing or nature of our future offerings, and purchasers of our Class A common stock in this offering bear the risk of our future offerings reducing the market price of our Class A common stock and diluting their ownership interest in our Company.

***We are an “emerging growth company” and we cannot be certain if the reduced disclosure requirements applicable to “emerging growth companies” will make our Class A common stock less attractive to investors.***

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions and relief from various reporting requirements that are applicable to other public companies that are not “emerging growth companies.” In particular, while we are an “emerging growth company” (i) we will not be required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, (ii) we will be exempt from any rules that may be adopted by the PCAOB requiring mandatory audit firm rotations or a supplement to the auditor’s report on financial statements, (3) we will be subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and (4) we will not be required to hold nonbinding advisory votes on executive compensation or obtain stockholder approval of any golden parachute payments not previously approved. We currently intend to take advantage of the reduced disclosure requirements regarding executive compensation. If we remain an “emerging growth company” after 2016, we may take advantage of other exemptions, including the exemptions from the advisory vote requirements and executive compensation

disclosures under the Dodd-Frank Wall Street Reform and Customer Protection Act and the exemption from the provisions of Section 404(b) of the Sarbanes-Oxley Act.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards, meaning that the company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. We may remain an "emerging growth company" until the year-end following the fifth anniversary of the completion of this initial public offering, though we may cease to be an "emerging growth company" earlier under certain circumstances, including (i) if we become a large accelerated filer, (ii) if our gross net sales exceeds $1.07 billion in any year or (3) if we issue more than $1.07 billion in non-convertible notes in any three-year period.

The exact implications of the JOBS Act are still subject to interpretations and guidance by the SEC and other regulatory agencies, and we cannot assure you that we will be able to take advantage of all of the benefits of the JOBS Act. In addition, investors may find our Class A common stock less attractive if we rely on the exemptions and relief granted by the JOBS Act. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may decline and/or become more volatile.

***Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.***

We are not currently required to comply with the rules of the SEC implementing Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a public company, we will be required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Although we will be required to disclose changes made in our internal controls and procedures on a quarterly basis, we will not be required to make our first annual assessment of our internal control over financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC. However, as an emerging growth company, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the later of the year following our first annual report required to be filed with the SEC or the date we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating.

To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. Testing and maintaining internal control can divert our management's attention from other matters that are important to the operation of our business. In addition, when evaluating our internal control over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties, such as statements about the Transactions, our plans, objectives, expectations, assumptions or future events. In some cases, you can identify forward-looking statements by terminology such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could” and similar expressions. Examples of forward-looking statements include, without limitation:

- statements regarding our strategies, results of operations or liquidity;
- statements concerning projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance;
- statements of management’s goals and objectives; and
- assumptions underlying statements regarding us or our business.

Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances, or achievements expressed or implied by the forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to, factors discussed under the headings “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” and our dependency on a limited number of customers; our ability to implement our growth strategy effectively; our ability to achieve or sustain profitability; competition from veterinarians and others in our industry; failure of the FTPOA to become law; reputational damage to our brands; economic trends and spending on pets; the effectiveness of our marketing and trade promotion programs; recalls or withdrawals of our products or product liability claims; our ability to manage our manufacturing and supply chain effectively; disruptions in our manufacturing and distribution chains; our ability to successfully grow our business through acquisitions; our ability to introduce new products and improve existing products; our failure to protect our intellectual property; costs associated with governmental regulation; risks related to our international operations; and our ability to keep and retain key employees. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

The forward-looking statements speak only as of the date on which they are made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Consequently, you should not place undue reliance on forward-looking statements.

## THE TRANSACTIONS

The Transactions will be effectuated by the Recapitalization Agreement. See "—Organizational Structure Following This Offering" below for a chart depicting our organizational structure following the consummation of the Transactions and this offering. We refer to the consummation of the organizational transactions, including the Contributions and the Reclassification, each as described below, as the "Transactions."

Prior to this offering and prior to the Contributions described below, the Continuing LLC Owners and the Sponsor Corps directly held all of the issued and outstanding interests in HoldCo, and Certain Sponsors held all of the issued and outstanding interests in the Sponsor Corps. Accordingly, Certain Sponsors had an indirect interest in HoldCo equal to the aggregate interest of the Sponsor Corps in HoldCo. The Sponsor Corps were formed in 2012, and they have no assets, liabilities or operations, other than as holding companies owning direct interests in HoldCo.

### Contributions

Pursuant to a contribution agreement to be entered into prior to this offering, Certain Sponsors will contribute all of their interests in the Sponsor Corps to PetIQ. In exchange for this contribution of the Sponsor Corps to PetIQ, Certain Sponsors will receive Certain Sponsor Preference Notes payable by PetIQ in the aggregate amount of $ million and an aggregate of shares of Class A common stock (which shares represent the remaining value of each Certain Sponsor's indirect interest in HoldCo immediately prior to the respective contribution after taking into consideration the amount of the applicable Certain Sponsor Preference Note and based on a hypothetical valuation of HoldCo agreed to by the Continuing LLC Owners and the Certain Sponsors). The Certain Sponsor Preference Notes will become due and payable upon the consummation of this offering and will accrue interest at a rate of two percent per annum. Immediately following the contribution of the Sponsor Corps, each Sponsor Corp will become a wholly owned subsidiary of PetIQ. The Contributions will be effected prior to the time our Class A common stock is registered under the Securities Act, and prior to the completion of this offering.

### Reclassification

The equity interests of HoldCo currently consist of seven different classes of limited liability company units (Class A, Class B, Class C, Class D, Class E, Class F and Class P). Prior to the completion of this offering, the HoldCo Agreement will be amended and restated to, among other things, modify the capital structure of HoldCo to create a single new class of units, the LLC Interests.

The LLC Interests to be received in the Reclassification will be allocated to the Sponsor Corps and the Continuing LLC Owners. The number of LLC Interests to be allocated to the Sponsor Corps, and therefore indirectly to PetIQ, will be equal to the number of shares of Class A common stock that Certain Sponsors receive in the Contributions shares of Class A common stock). The Continuing LLC Owners (i) will exchange certain LLC interests for the Continuing LLC Owner Preference Notes payable by PetIQ in the aggregate amount of $ million and (ii) will receive from PetIQ LLC an aggregate of LLC Interests (which LLC Interests represent the remaining value of each Continuing LLC Owner's interest in HoldCo immediately prior to the Reclassification after taking into consideration the amount of the applicable Continuing LLC Owner Preference Note and based on a hypothetical valuation of HoldCo agreed to by the Continuing LLC Owners and the Certain Sponsors). The Continuing LLC Owner Preference Notes will become due and payable upon the consummation of this offering and will accrue interest at a rate of two percent per annum. As a result, following the Contributions and the Reclassification, LLC Interests will be held by the Continuing LLC Owners and by PetIQ, which will hold its interests indirectly through the Sponsor Corps. The Reclassification will be effected prior to the time our Class A common stock is registered under the Securities Act and prior to the completion of this offering.

Following the Contributions and the Reclassification, PetIQ will issue to the Continuing LLC Owners one share of Class B common stock for each LLC Interest they hold. The shares of Class B common stock will have no right to receive distributions or dividends, whether cash or stock, but will entitle the holder to one vote per share on matters presented to stockholders of PetIQ. All of the shares of Class A common stock that will be outstanding following the Contributions and the Reclassification, but prior to completion of this offering, will be held by Certain Sponsors.

Pursuant to the HoldCo Agreement, PetIQ will be designated as the sole managing member of HoldCo. Accordingly, PetIQ will have the right to determine when distributions will be made by HoldCo to its members and the amount of any such distributions (subject to the requirements with respect to the tax distributions described below). If PetIQ authorizes a distribution by HoldCo, the distribution will be made to the members of HoldCo pro rata in accordance with the ownership of their respective LLC Interests.

The holders of LLC Interests will incur U.S. federal, state and local income taxes on their allocable share of any taxable income of HoldCo (as calculated pursuant to the HoldCo Agreement). Net profits and net losses of HoldCo will generally be allocated to its members pursuant to the HoldCo Agreement pro rata in accordance with the ownership of their respective LLC Interests. The HoldCo Agreement will provide for cash distributions to the holders of LLC Interests for purposes of funding their tax obligations in respect of the income of HoldCo that is allocated to them. These tax distributions will be funded from available cash of HoldCo and its subsidiaries. These tax distributions will be computed, for us, based on our actual tax liability as a result of the net taxable income allocated to us as a result of owning interests in Holdco and, for all other holders of LLC Interests, based on the net taxable income of Holdco allocated to such holder of LLC Interests multiplied by an assumed, combined tax rate equal to the maximum rate applicable to an individual resident in New York, New York (taking into account the deductibility of state and local taxes and other applicable adjustments).

Immediately following the Reclassification, we will be a holding company and our principal asset will be the LLC Interests we purchase from the Sponsor Corps and acquire from the Continuing LLC Owners. As the sole managing member of HoldCo, we will operate and control all of the business and affairs of HoldCo and, through HoldCo and its subsidiaries, conduct our business. Accordingly, although we will have a minority economic interest in HoldCo, we will control the management of, and have a controlling interest in, HoldCo and, therefore, we will be the primary beneficiary of HoldCo. As a result, we will consolidate the financial results of Holdco pursuant to the VIE accounting model, and a portion of our net income (loss) will be allocated to the non-controlling interest to reflect the entitlement of Continuing LLC Owners to a portion of Holdco's net income (loss). See "Unaudited Pro Forma Condensed Consolidated Financial Information".

Other than its purchase of LLC Units with the net proceeds of this offering, as of the closing date of this offering, PetIQ has not provided any financial or other support to HoldCo. Following this offering, PetIQ will not be required to provide financial or other support for HoldCo, though it will control HoldCo's business and other activities through its managing member interest in HoldCo. Because PetIQ is not a guarantor or obligor with respect to any of the liabilities of HoldCo, absent any such arrangement, the creditors of HoldCo will not have any recourse to the general credit of PetIQ. Nevertheless, because PetIQ will have no material assets other than its interests in HoldCo, any change in HoldCo's financial condition could result in PetIQ recognizing a loss.

### Exchange Rights

Under the HoldCo Agreement, the Continuing LLC Owners (or certain permitted transferees thereof) will have the right, from time to time following this offering and subject to the terms of the HoldCo Agreement, to exchange their LLC Interests, along with a corresponding number of shares of our Class B common stock, for newly issued shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends, reclassifications and similar transactions. Our board of directors, which will include directors who hold LLC Interests or are affiliated with holders of LLC Interests and may include such directors in the future, may, at its option, instead cause HoldCo to make a cash payment equal to the volume weighted average market price of one share of our Class A common stock for each LLC Interest exchanged (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the HoldCo Agreement. As a Continuing LLC Owner exchanges LLC Interests, along with a corresponding number of shares of our Class B common stock, for shares of Class A common stock (or receives a cash payment lieu of such Class A common stock), the number of LLC Interests held by PetIQ will be correspondingly increased as it acquires the exchanged LLC Interests and cancels a corresponding number of shares of Class B common stock. See "Certain Relationships and Related Party Transactions—HoldCo Agreement."

### Offering Transactions

In connection with the completion of this offering, we intend to use a portion of the net proceeds we receive to repay the Preference Notes and to purchase newly issued LLC Interests from HoldCo. See “Use of Proceeds.”

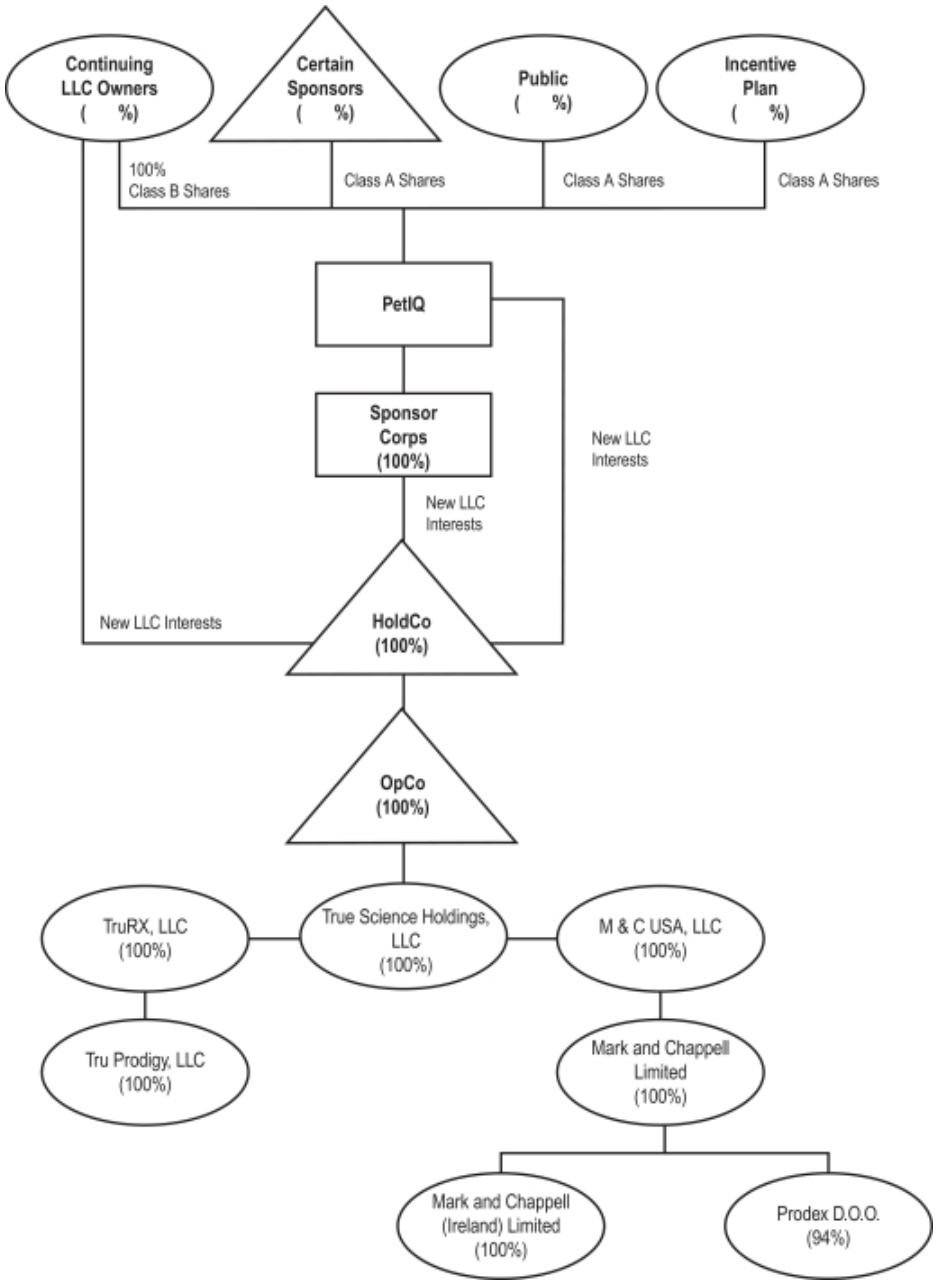
In connection with the Contributions and the Reclassification, we will also indirectly acquire LLC Interests in an amount equal to the number of shares of LLC Interests issued to the Sponsor Corps in the Reclassification as a result of us owning the Sponsor Corps following the Contributions. Accordingly, following this offering, we will hold a number of LLC Interests that is equal to the number of shares of Class A common stock ( shares of Class A common stock) that we issued to Certain Sponsors and investors in this offering. HoldCo will reimburse PetIQ for all of the expenses of this offering.

As a result of the Transactions and this offering, upon completion of this offering:

- the investors in this offering will collectively own shares of our Class A common stock (or shares of Class A common stock if the underwriters exercise in full their option to purchase additional shares of Class A common stock), representing % of the voting power in the Company (or % if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and, through PetIQ, % of the economic interest in HoldCo (or % if the underwriters exercise in full their option to purchase additional shares of Class A common stock);
- Certain Sponsors will collectively own shares of our Class A common stock, representing % of the voting power in the Company (or % if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and, through PetIQ, % of the economic interest in HoldCo (or % if the underwriters exercise in full their option to purchase additional shares of Class A common stock); and
- the Continuing LLC Owners will collectively own shares of our Class B common stock, representing % of the voting power in the Company (or % if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and % of the economic interest in HoldCo (or % if the underwriters exercise in full their option to purchase additional shares of Class A common stock).

### Organizational Structure Following This Offering

The diagram below depicts our organizational structure immediately following this offering, after giving effect to the Transactions, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock.



## USE OF PROCEEDS

We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and commissions, will be approximately $ million, assuming the shares are offered at $ per share (the midpoint of the price range listed on the cover page of this prospectus). A $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease, as applicable, the net proceeds to us from this offering by approximately $ million, assuming the number of shares offered by us remains the same as set forth on the cover page of this prospectus and after deducting the estimated underwriting discounts and commissions. Similarly, an increase or decrease of shares in the number shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, would increase or decrease our net proceeds from this offering by approximately $ million, assuming no changes in the assumed initial public offering price per share and after deducting estimated underwriting discounts and commissions.

We intend to use the net proceeds of this offering to (i) pay off the Preference Notes in the aggregate amount of $ million and (ii) purchase newly issued LLC Interests from HoldCo at a purchase price per interest equal to the initial public offering price per share of Class A common stock, less underwriting discounts and commissions. The Preference Notes will accrue interest at a rate of two percent per annum and will be due and payable immediately upon the consummation of this offering.

We intend to cause HoldCo to use such proceeds to pay fees and expenses of approximately $ million in connection with the Transactions and this offering and for general corporate purposes.

## DIVIDEND POLICY

Except for the distributions described under “The Transactions,” we currently intend to retain all available funds and any future earnings for use in the operation of our business, and therefore we do not currently expect to pay any cash dividends on our Class A common stock. Holders of our Class B common stock are not entitled to participate in any dividends declared by our board of directors. Any future determination to pay dividends to holders of Class A common stock will be at the discretion of our board of directors and will depend upon many factors, including our results of operations, financial condition, capital requirements and other factors that our board of directors deems relevant. We are a holding company, and substantially all of our operations are carried out by HoldCo and its subsidiaries. Our ability to pay dividends may also be restricted by any future credit agreement or any future debt or preferred equity securities of ours or of our subsidiaries.

## CAPITALIZATION

The following table sets forth the cash and cash equivalents and capitalization as of March 31, 2017 of:

- OpCo and its subsidiaries on a historical basis;
- PetIQ and its subsidiaries as adjusted to give effect to the Transactions; and
- PetIQ and its subsidiaries on a pro forma basis to give effect to (i) the Transactions, the issuance and sale of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range listed on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and (ii) the application of the estimated net proceeds from the offering as described under "Use of Proceeds."

This information should be read in conjunction with "Use of Proceeds," "Selected Consolidated Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and related notes appearing elsewhere in this prospectus.

| | AS OF MARCH 31, 2017 | | |
|---|---|---|---|
| **(in thousands, except share and per share data)** | **HISTORICAL OPCO** | **PETIQ AS ADJUSTED BEFORE OFFERING** | **PRO FORMA PETIQ** |
| Cash and cash equivalents | $ 1,376 | $ | $ |
| Indebtedness: | | | |
| Total indebtedness | $ 47,524 | $ | $ |
| Total equity: | | | |
| Members' equity | | | |
| Class A common stock, par value $0.001 per share; no shares authorized, issued and outstanding on a historical basis; shares authorized, issued and outstanding on a pro forma basis | | | |
| Class B common stock, par value $0.001 per share; no shares authorized, issued and outstanding on a historical basis; shares authorized, issued and outstanding on a pro forma basis | | | |
| Additional paid-in capital | | | |
| Total members' equity/stockholders' equity | 45,420 | | |
| Noncontrolling interest | (21) | | |
| Total capitalization | $ 45,399 | $ | $ |

A $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease, as applicable, the net proceeds to us from this offering by approximately $ million, assuming the number of shares offered by us remains the same as set forth on the cover page of this prospectus and after deducting the estimated underwriting discounts and commissions. Similarly, an increase or decrease of shares in the number shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, would increase or decrease our net proceeds from this offering by approximately $ million, assuming no changes in the assumed initial public offering price per share and after deducting estimated underwriting discounts and commissions.

## DILUTION

The Continuing LLC Owners will maintain LLC Interests in HoldCo after the Transactions and this offering. Because the Continuing LLC Owners will not own any Class A common stock or have any right to receive distributions from PetIQ, we have presented dilution in pro forma net tangible book value per share after this offering assuming that all of the holders of LLC Interests (other than those held by PetIQ through the Sponsor Corps) had their LLC Interests exchanged for newly issued shares of Class A common stock on a one-for-one basis (rather than for cash) and the cancellation for no consideration of all of their shares of Class B common stock (which are not entitled to receive distributions or dividends, whether in cash or stock from PetIQ) in order to more meaningfully present the dilutive impact on the investors in this offering. We refer to the assumed exchange of all LLC Interests for shares of Class A common stock as described in the previous sentence as the "Assumed Exchange."

Dilution is the amount by which the offering price paid by the purchasers of the Class A common stock in this offering exceeds the pro forma net tangible book value per share of Class A common stock after the offering. OpCo's net tangible book value as of March 31, 2017 was $ million. Net tangible book value per share is determined at any date by subtracting our total liabilities from the total book value of our tangible assets and dividing the difference by the number of shares of Class A common stock deemed to be outstanding at that date.

If you invest in our Class A common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share and the pro forma net tangible book value per share of our Class A common stock after this offering.

Pro forma net tangible book value per share is determined at any date by subtracting our total liabilities from the total book value of our tangible assets and dividing the difference by the number of shares of Class A common stock, after giving effect to the Transactions and this offering and the Assumed Exchange. Our pro forma net tangible book value as of March 31, 2017 would have been approximately $ million, or $ per share of Class A common stock. This amount represents an immediate increase in pro forma net tangible book value of $ per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of approximately $ per share to investors purchasing shares of Class A common stock in this offering. Similarly, an increase or decrease of shares in the number of Class A common stock offered by us, as set forth on the cover page of this prospectus, would increase or decrease the pro forma as net tangible book value after giving effect to this offering by $ , or $ per share, and would increase or decrease the dilution in pro form net tangible book value per share to investors in this offering by $ , based on the assumption above.

The following table illustrates this dilution on a per share basis:

| | | |
|---|---|---|
| Assumed initial public offering price per share | | $ |
| Pro forma net tangible book value (deficit) per share as of March 31, 2017 before giving effect to this offering | $ | |
| Increase in net tangible book value per share attributable to investors in this offering | | |
| Pro forma net tangible book value per share after giving effect to this offering | | |
| Dilution in pro forma net tangible book value per share to investors in this offering | | $ |

A $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover of this prospectus, would increase or decrease, as applicable, pro forma net tangible book value per share after giving effect to this offering by $ million, or $ per share, and would increase or decrease the dilution in pro forma net tangible book value per share to investors in this offering by $ , based on the assumptions set forth above.

The following table summarizes as of March 31, 2017 on the pro forma basis described above, the number of shares of Class A common stock purchased, the total consideration paid and the average price per share paid by investors in this offering, based upon an assumed initial public offering price of $ per share, the midpoint of the initial public offering price range on the cover page of this prospectus, and before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

| | SHARES PURCHASED | | TOTAL CONSIDERATION | | AVERAGE PRICE PER SHARE |
|---|---|---|---|---|---|
| | NUMBER | PERCENT | AMOUNT | PERCENT | |
| Existing stockholders | | % | $ | % | $ |
| New investors | | | | | |
| **Total** | | 100% | | 100% | $ |

A $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover of this prospectus, would increase or decrease the total consideration paid by new investors and the total consideration paid by all shareholders by $ million, based on the assumptions set forth above. Similarly, an increase or decrease of shares in the number of Class A common stock offered by us as set forth on the cover page of this prospectus would increase or decrease the total consideration paid by new investors and the total consideration paid by all shareholders by $ , based on the assumptions set forth above.

Except as otherwise indicated, the discussion and tables above assume the number of shares offered by us remains the same, no exercise of the underwriters' option to purchase additional shares and no exercise of any outstanding options. If the underwriters' option to purchase additional shares is exercised in full, our existing stockholders would own approximately % and purchasers in this offering would own approximately % of the total number of shares of our Class A common stock outstanding after this offering. If the underwriters exercise their option to purchase additional shares in full, the pro forma net tangible book value per share after this offering would be $ per share, and the dilution in the pro forma net tangible book value per share to purchasers in this offering would be $ per share.

The tables and calculations above are based on shares of Class A common stock outstanding as of March 31, 2017 and assume no exercise by the underwriters of their option to purchase up to an additional shares from us. This number excludes, as of March 31, 2017, an aggregate of shares of Class A common stock reserved for issuance under the Omnibus Incentive Plan that we intend to adopt in connection with this offering.

## UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma information reflects the impact of this offering, after giving effect to the Transactions discussed in the section of this prospectus entitled “The Transactions.” The following unaudited pro forma consolidated statement of operations for the year ended December 31, 2016 and the three months ended March 31, 2017 give effect to the Transactions and this offering as if the same had occurred on January 1, 2016. The unaudited pro forma balance sheet as of December 31, 2016 and March 31, 2017 give effect to the Transactions and this offering as if the same had occurred on such date.

We have derived the unaudited pro forma consolidated balance sheet and statement of operations as of and for the year ended December 31, 2016 from the audited consolidated financial statements of OpCo as of and for the year ended December 31, 2016 included elsewhere in this prospectus. We have derived the unaudited pro forma consolidated balance sheet and statement of operations as of and for the three months ended March 31, 2017 from the unaudited consolidated financial statements of OpCo as of and for the three months ended March 31, 2017 included elsewhere in this prospectus. The pro forma financial information is qualified in its entirety by reference to, and should be read in conjunction with, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus.

The pro forma adjustments related to the Transactions, which we refer to as the Transaction Adjustments, are described in the notes to the unaudited pro forma consolidated financial information, and principally include the following:

- the amendment and restatement of the limited liability company agreement of HoldCo to, among other things, (i) modify the capital structure of HoldCo to create a single new class of units, the LLC Interests, (ii) exchange all of the HoldCo existing membership interests for LLC Interests and (iii) appoint PetIQ as the sole managing member of HoldCo;
- the amendment and restatement of PetIQ’s certificate of incorporation to, among other things, (i) provide for Class A common stock and Class B common stock and (ii) issue shares of Class B common stock to the Continuing LLC Owners, on a one-to-one basis with the number of LLC Interests they own;
- the contribution by Certain Sponsors of all of the Sponsor Corps to PetIQ in exchange for the issuance of the Certain Sponsor Preference Notes payable by PetIQ and shares of Class A common stock to Certain Sponsors;
- the exchange by the Continuing LLC Owners of certain LLC Interests for the Continuing LLC Owner Preference Notes;
- the Continuing LLC Owners retaining the remaining LLC Interests;
- a -for- stock split of our Class A common stock and Class B common stock; and
- a provision for income taxes and deferred taxes reflected PetIQ as a taxable corporation at an effective rate of % for the three months ended March 31, 2017 and % for the year ended December 31, 2016.

The pro forma adjustments related to this offering, which we refer to as the Offering Adjustments, are described in the notes to the unaudited pro forma consolidated financial information, and principally include the following:

- the issuance of shares of our Class A common stock in this offering in exchange for net proceeds of approximately $ (the midpoint of the price range listed on the cover page of this prospectus), after deducting underwriting discounts and commission but before offering expenses;
- the repayment of the Preference Notes in the aggregate amount of $ million;
- the purchase by PetIQ of newly issued LLC Interests from HoldCo at purchase price per interest equal to the initial public offering price per share of Class A common stock, less underwriting discounts and commissions; and
- the changes in equity related to the purchase of LLC Interests and the related noncontrolling interest not owned by PetIQ.

The historical consolidated financial position and results of operations of PetIQ have not been presented in the accompanying unaudited pro forma consolidated financial information as PetIQ is a newly incorporated entity as of

February 29, 2016, has had no business transactions or activities to date, and had no material assets, liabilities, revenues or expenses during the periods presented in this section. The Transactions and designation of PetIQ as the sole managing member of HoldCo will be accounted for as the combination of entities under common control. HoldCo is the sole member of OpCo and has no operations and no assets other than the equity interests of OpCo. As a result, OpCo will be considered our predecessor for accounting purposes. This will result in the presentation of OpCo's historical financial statements as the historical financial statements of PetIQ and PetIQ will account for OpCo's assets and liabilities at their historical carrying amounts.

As a public company, we will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. We expect to incur additional annual expenses related to these steps and, among other things, additional directors' and officers' liability insurance, director fees, reporting requirements of the SEC, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses. We have not included any pro forma adjustments relating to these costs.

The pro forma adjustments are based upon available information and methodologies that are factually supportable and directly related to the Transactions and this offering. The unaudited pro forma consolidated financial information includes various estimates that are subject to material change and may not be indicative of what our operations or financial position would have been had the Transactions and this offering taken place on the dates indicated, or that may be expected to occur in the future. For further discussion of these matters, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and related notes included elsewhere in this prospectus.

**PetIQ, Inc.**
**Unaudited Pro Forma Consolidated Balance Sheet Data as of March 31, 2017**

| (dollars in thousands) | HISTORICAL OPCO | TRANSACTION ADJUSTMENTS | AS ADJUSTED BEFORE OFFERING | OFFERING ADJUSTMENTS | PRO FORMA PETIQ |
|---|---|---|---|---|---|
| Current assets | | | | | |
| Cash and cash equivalents | $ 1,376 | | | | |
| Accounts receivable, net of allowance for doubtful accounts | 27,327 | | | | |
| Inventories | 48,054 | | | | |
| Supplier prepayments | 2,561 | | | | |
| Other current assets | 3,041 | | | | |
| Total current assets | 82,359 | | | | |
| Property, plant and equipment, net | 12,842 | | | | |
| Restricted cash and deposits | 250 | | | | |
| Other non-current assets | 2,709 | | | | |
| Intangible assets, net of accumulated amortization | 3,849 | | | | |
| Goodwill | 4,697 | | | | |
| Total assets | $ 106,706 | | | | |
| Liabilities and member's equity | | | | | |
| Current liabilities | | | | | |
| Accounts payable | $ 12,502 | | | | |
| Accrued wages payable | 669 | | | | |
| Accrued interest payable | 173 | | | | |
| Other accrued expenses | 326 | | | | |
| Current portion of long-term debt and capital leases | 2,541 | | | | |
| Total current liabilities | 16,211 | | | | |
| Non-current liabilities | | | | | |
| Long-term debt | 42,990 | | | | |
| Obligations under capital leases, less current installments | 412 | | | | |
| Deferred acquisition liability | 1,330 | | | | |
| Other non-current liabilities | 364 | | | | |
| Total non-current liabilities | 45,096 | | | | |
| Commitments and contingencies | | | | | |
| Equity | | | | | |
| Member's equity | 47,219 | | | | |
| Accumulated other comprehensive (loss) | (1,799) | | | | |
| Total member's equity | 45,420 | | | | |
| Non-controlling interest | (21) | | | | |
| Total equity | 45,399 | | | | |
| Total liabilities and equity | $ 106,706 | | | | |

**PetIQ, Inc.**
**Unaudited Pro Forma Consolidated Statement of Operations for the Quarter Ended March 31, 2017**

| (dollars in thousands) | HISTORICAL OPCO | TRANSACTION ADJUSTMENTS | AS ADJUSTED BEFORE OFFERING | OFFERING ADJUSTMENTS | PRO FORMA PETIQ |
|---|---|---|---|---|---|
| Net sales | $ 67,029 | | | | |
| Cost of sales | 54,829 | | | | |
| Gross profit | 12,200 | | | | |
| Operating expenses | | | | | |
| General and administrative expenses | 7,405 | | | | |
| Operating income | 4,795 | | | | |
| Interest expense | 464 | | | | |
| Foreign currency loss, net | 49 | | | | |
| Loss on debt extinguishment | — | | | | |
| Other expense, net | 3 | | | | |
| Total other expense, net | 516 | | | | |
| Net income | $ 4,279 | | | | |
| Net loss attributable to noncontrolling interest | $ (2) | | | | |
| Net income attributable to member | $ 4,281 | | | | |
| Pro forma weighted average shares of Class A common stock outstanding: (1) | | | | | |
| Basic | | | | | |
| Diluted | | | | | |
| Pro forma net loss per Class A common share: (2) | | | | | |
| Basic | | | | | |
| Diluted | | | | | |

(1) The shares of Class B common stock do not share in our earnings and therefore are not included in the weighted average shares outstanding or net loss per share. The pro forma weighted average shares outstanding and net loss per share give effect to the Transactions and the issuance and sale of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range listed on the cover page of this prospectus.

(2) The basic and diluted pro forma net loss per share of Class A common stock represents net loss attributable to PetIQ divided by the combination of shares of Class A common stock owned by the Sponsor Corps after giving effect to the Transactions and the issuance and sale of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range listed on the cover page of this prospectus.

**PetIQ, Inc.**
**Unaudited Pro Forma Consolidated Balance Sheet Data as of December 31, 2016**

| (dollars in thousands) | HISTORICAL OPCO | TRANSACTION ADJUSTMENTS | AS ADJUSTED BEFORE OFFERING | OFFERING ADJUSTMENTS | PRO FORMA PETIQ |
|---|---|---|---|---|---|
| Current assets | | | | | |
| Cash and cash equivalents | $ 767 | | | | |
| Accounts receivable, net of allowance for doubtful accounts | 17,195 | | | | |
| Inventories | 34,232 | | | | |
| Supplier prepayments | 2,985 | | | | |
| Other current assets | 1,358 | | | | |
| Total current assets | 56,537 | | | | |
| Property, plant and equipment, net | 13,044 | | | | |
| Restricted cash and deposits | 250 | | | | |
| Other non-current assets | 2,826 | | | | |
| Intangible assets, net of accumulated amortization | 4,054 | | | | |
| Goodwill | 4,619 | | | | |
| Total assets | $ 81,330 | | | | |
| Liabilities and member's equity | | | | | |
| Current liabilities | | | | | |
| Accounts payable | $ 9,333 | | | | |
| Accrued wages payable | 1,100 | | | | |
| Accrued interest payable | 44 | | | | |
| Other accrued expenses | 277 | | | | |
| Current portion of long-term debt and capital leases | 2,321 | | | | |
| Total current liabilities | 13,075 | | | | |
| Non-current liabilities | | | | | |
| Long-term debt | 25,158 | | | | |
| Obligations under capital leases, less current installments | 434 | | | | |
| Deferred acquisition liability | 1,303 | | | | |
| Other non-current liabilities | 378 | | | | |
| Total non-current liabilities | 27,273 | | | | |
| Commitments and contingencies | | | | | |
| Equity | | | | | |
| Member's equity | 42,941 | | | | |
| Accumulated other comprehensive (loss) | (1,940) | | | | |
| Total member's equity | 41,001 | | | | |
| Non-controlling interest | (19) | | | | |
| Total equity | 40,982 | | | | |
| Total liabilities and equity | $ 81,330 | | | | |

**PetIQ, Inc.**
**Unaudited Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2016**

| (dollars in thousands) | HISTORICAL OPCO | TRANSACTION ADJUSTMENTS | AS ADJUSTED BEFORE OFFERING | OFFERING ADJUSTMENTS | PRO FORMA PETIQ |
|---|---|---|---|---|---|
| Net sales | $ 200,162 | | | | |
| Cost of sales | 167,615 | | | | |
| Gross profit | 32,547 | | | | |
| Operating expenses | | | | | |
| General and administrative expenses | 31,845 | | | | |
| Operating income | 702 | | | | |
| Interest expense | 3,058 | | | | |
| Foreign currency loss, net | 24 | | | | |
| Loss on debt extinguishment | 1,681 | | | | |
| Other income, net | (666) | | | | |
| Total other expense, net | 4,097 | | | | |
| Net loss | $ (3,395) | | | | |
| Net income attributable to noncontrolling interest | $ 3 | | | | |
| Net loss attributable to member | $ (3,398) | | | | |
| Pro forma weighted average shares of Class A common stock outstanding: (1) | | | | | |
| Basic | | | | | |
| Diluted | | | | | |
| Pro forma net loss per Class A common share: (2) | | | | | |
| Basic | | | | | |
| Diluted | | | | | |

(1) The shares of Class B common stock do not share in our earnings and therefore are not included in the weighted average shares outstanding or net loss per share. The pro forma weighted average shares outstanding and net loss per share give effect to the Transactions and the issuance and sale of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range listed on the cover page of this prospectus.

(2) The basic and diluted pro forma net loss per share of Class A common stock represents net loss attributable to PetIQ divided by the combination of shares of Class A common stock owned by the Sponsor Corps after giving effect to the Transactions and the issuance and sale of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range listed on the cover page of this prospectus.

## SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present the selected historical consolidated financial and other data for OpCo and its subsidiaries. OpCo is the predecessor of the issuer, PetIQ, for financial reporting purposes.

The selected consolidated statement of operations data for each of the years in the two-year period ended December 31, 2016 and the selected consolidated balance sheet data as of December 31, 2016 and 2015 are derived from the audited consolidated financial statements of OpCo and its subsidiaries included elsewhere in this prospectus. The selected consolidated statement of operations data for the fiscal quarters ended March 31, 2017 and 2016 and the selected consolidated balance sheet data as of March 31, 2017 are derived from the unaudited consolidated financial statements of OpCo included elsewhere in this prospectus.

The results of operations for the periods presented below are not necessarily indicative of the results to be expected for any future period and the results for any interim period are not necessarily indicative of the results that may be expected for a full year. The information set forth below should be read together with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus.

The selected historical consolidated financial and other data of PetIQ have not been presented as PetIQ is a newly incorporated entity, has had no business transactions or activities to date and had no assets or liabilities during the periods presented in this section.

| | HISTORICAL OPCO | | | |
|---|---|---|---|---|
| | THREE MONTHS ENDED MARCH 31, | | YEAR ENDED DECEMBER 31, | |
| | 2017 | 2016 | 2016 | 2015 |
| **(dollars in thousands, except per share data)** | | | | |
| **Consolidated statement of operations data:** | | | | |
| Net sales | $ 67,029 | $ 52,298 | $200,162 | $205,687 |
| Cost of sales | 54,829 | 42,526 | 167,615 | 166,529 |
| Gross profit | 12,200 | 9,772 | 32,547 | 39,158 |
| Operating expenses | | | | |
| General and administrative expenses | 7,405 | 8,063 | 31,845 | 35,588 |
| Operating income | 4,795 | 1,709 | 702 | 3,570 |
| Other expense | | | | |
| Other expense (income), net | 3 | (2) | (666) | — |
| Loss on debt extinguishment | — | 993 | 1,681 | 1,449 |
| Foreign currency loss (gain), net | 49 | 121 | 24 | (75) |
| Interest expense | 464 | 901 | 3,058 | 3,545 |
| Total other expense, net | 516 | 2,013 | 4,097 | 4,919 |
| Net income (loss) | 4,279 | (304) | $ (3,395) | $ (1,349) |
| Pro forma weighted average shares used for computation of (unaudited): (1) | | | | |
| Basic | | | | |
| Diluted | | | | |
| Pro forma net income (loss) per common share (unaudited): (1) | | | | |
| Basic | | | $ | $ |
| Diluted | | | $ | $ |

(1) Gives effect to the Transactions and this offering. See "Unaudited Pro Forma Consolidated Financial Information" for a detailed presentation of the unaudited pro forma information, including a description of the transactions and assumptions underlying the pro forma adjustments.

| (dollars in thousands) | HISTORICAL OPCO AS OF MARCH 31, 2017 | AS OF DECEMBER 31, 2016 | 2015 |
|---|---|---|---|
| **Consolidated balance sheet data:** | | | |
| Cash and cash equivalents | $ 1,376 | $ 767 | $ 3,250 |
| Total assets | 106,706 | 81,330 | 92,335 |
| Total debt | 47,524 | 29,466 | 34,953 |
| Total liabilities | 61,307 | 40,348 | 46,060 |
| Total members'/stockholders' equity | 45,399 | 40,982 | 46,275 |

| (dollars in thousands) | HISTORICAL OPCO THREE MONTHS ENDED MARCH 31, 2017 | 2016 | YEAR ENDED DECEMBER 31, 2016 | 2015 |
|---|---|---|---|---|
| **Other Data: (a)** | | | | |
| EBITDA **(a)** | $ 5,539 | $ 1,345 | $ 2,645 | $4,773 |
| Adjusted EBITDA **(a)** | 5,729 | 3,806 | 10,632 | 6,549 |
| Capital Expenditures | 518 | 753 | 2,041 | 1,550 |

(a) EBITDA and Adjusted EBITDA are non-GAAP financial measures. The following table reconciles net loss, the most comparable GAAP measure, to EBITDA and Adjusted EBITDA for the periods presented:

| (dollars in thousands) | THREE MONTHS ENDED MARCH 31, 2017 | 2016 | YEAR ENDED DECEMBER 31, 2016 | 2015 |
|---|---|---|---|---|
| Net income (loss) | $ 4,279 | $ (304) | $ (3,395) | $(1,349) |
| Non-GAAP adjustments: | | | | |
| Depreciation | 536 | 476 | 1,915 | 1,842 |
| Amortization | 260 | 272 | 1,067 | 735 |
| Interest | 464 | 901 | 3,058 | 3,545 |
| EBITDA | 5,539 | 1,345 | 2,645 | 4,773 |
| Loss on debt extinguishment (1) | — | 993 | 1,681 | 1,449 |
| Litigation expenses (2) | — | 1,349 | 3,262 | 2,622 |
| Costs associated with becoming a public company | — | — | 2,180 | 626 |
| Supplier receivable write-off (3) | — | — | — | 1,449 |
| Management fees (4) | 190 | 119 | 864 | 462 |
| One-time sales opportunity (5) | — | — | — | (4,832) |
| Adjusted EBITDA | $ 5,729 | $ 3,806 | $10,632 | $ 6,549 |

(1) Loss on debt extinguishment reflects costs relating to the refinancing of our prior credit facility, including a write-off of unamortized loan fees, legal fees and termination fees.

(2) These litigation expenses relate to cases involving the Company that were favorably resolved in the second quarter of 2016. The Company expects litigation expenses to decline in 2017.

(3) During 2015 the Company terminated its relationship with a supplier in accordance with a supply agreement, resulting in the Company writing off the full amount of cash advanced to the supplier as a supplier prepayment on the procurement of inventory as of December 31, 2015. Subsequent to December 31, 2015, the Company initiated litigation to attempt to collect the cash advanced to the supplier.

(4) Represents annual fees paid pursuant to our management agreements with Eos, Porchlight and Labore. The management agreements will terminate in connection with this offering; however, we will pay fees to members of our board of directors following the offering. See "Certain Relationships and Related Party Transactions."

(5) The Company realized $16.6 million in net sales to Walmart as part of a one-time sales opportunity in 2015. These sales to Walmart did not recur in 2016.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Such statements involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in "Risk Factors" and "Forward-Looking Statements." The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus, as well as the information presented under "Prospectus Summary—Summary Consolidated Financial Data" and "Selected Consolidated Financial and Other Data." All references to years, unless otherwise noted, refer to our fiscal year, which ends on December 31st. All references to the first quarter, unless otherwise noted, refer to our fiscal quarter which ends on March 31st.*

### Overview

PetIQ is a rapidly growing distributor and manufacturer of veterinarian-grade pet Rx medications, OTC flea and tick preventatives and health and wellness products for dogs and cats. We pioneered and are the leading seller of pet products to the retail channel previously available for purchase primarily from veterinary clinics. We provide retail stores leading third-party brands, including *Frontline® Plus,* and *Heartgard® Plus*, previously available only from leading veterinary clinics, at a savings to pet owners of typically 20% to 30%. We also provide our retail partners a portfolio of our proprietary value-branded products that contain the same active ingredients as compared to comparable third-party brands, such as *PetAction Plus*, *Advecta II*, *Advecta 3, Pet Lock Plus, Pet Lock Max*, *TruProfen* and *Heartshield,* at a savings of up to 50%. In addition, we have created proprietary wellness brands, such as *VetIQ, Vera, Delightibles and Betsy Farms*, that offer pet owners innovation and value.

We manufacture and sell our proprietary value-branded products, which generally are alternative versions of leading third-party branded pet Rx medications and OTC medications. We also distribute a suite of leading branded pet Rx medications and OTC medications manufactured by third parties. Our gross margins on our proprietary value-branded products are higher than on our distributed products and, accordingly, our strategy has been to increase net sales of proprietary value-branded products in conjunction with growth in distributed products. We believe that offering our retail partners a full suite of products will provide consumer value and enable profitable growth. In 2012, proprietary value-branded products comprised less than 10% of our net sales. In contrast, consistent with our strategy, proprietary value-branded products comprised more than 36% of our net sales in 2016, and 40% of our net sales in the first quarter of 2017.

We operate facilities in Daytona Beach, Florida and Springville, Utah. Our facility in Daytona Beach, Florida engages in, among other things, packaging services for products produced by others that we distribute. Our facility in Springville, Utah manufactures certain of our proprietary value-branded pet treats, such as *Delightibles*, *Betsy Farms* jerky treats, *VetIQ* pill treats and wellness supplements. We also utilize third parties to manufacture our proprietary value-branded products for us. Our product lines include more than 240 SKUs of the most popular pet medications that were previously available primarily from veterinarians.

We believe that we were the first, and remain the only, company to sell pet Rx medications nationally in the retail channel. We sell our products through the following retail channels: mass, food and drug, clubs, pet specialty, pharmacies and, recently, e-commerce. A majority of our net sales is to national retailers, such as Walmart, Sam's Club, Costco, PetSmart, Petco, Kroger, Target and BJ's Wholesale Club, among others. Our two largest retail customers, Walmart and Sam's Club, accounted for 28% and 19%, respectively, of our first quarter 2017 net sales, compared to 30% and 29%, respectively, of our first quarter 2016 net sales. Over time we expect our sales concentration with Walmart and Sam's Club will likely decline as our sales become more diverse across our customers. Our new customers in the first quarter of 2017 include Freds, Inc.

PetIQ's Rx medication success has been powered by delivering distributed and value-branded medication to our retail and human pharmacy partners on-time with a compelling value to these partners and their customers. Through a strategic alliance with Anda, a national pharmacy distributer, we have provided pharmacies exclusive access to leading Rx pet medications while limiting pharmacy inventory costs with 24-hour delivery across the United States. We sell our products to Anda, which distributes our products to pharmacies that have placed orders through Anda's

automated pharmacy ordering system. Anda purchases products from us only when it receives orders for such products from its retail customers. Through Anda we serve more than 40,000 retail pharmacy locations, with same and/or next-day service in mass retail, club and independent pharmacies.

Our sales occur predominantly in the U.S. and Canada. Approximately 98% of our first quarter 2017 and fiscal 2016 net sales were generated from customers located in the United States and Canada, with the remaining sales generated from other foreign locations. We have two reporting segments: (i) U.S. and Canada; and (ii) other. This is based on the level at which the chief operating decision maker reviews the results of operations to make decisions regarding performance assessment and resource allocation. In our judgment, because our operations in the U.S. and Canada comprise 98% of our net sales, it is appropriate to view our operations as a whole, which is the approach we follow in this section. Our corporate headquarters are located in Eagle, Idaho. For additional information on our operating segments, see Note 10, “Segments,” to our audited financial statements included elsewhere in this prospectus.

## Corporate History

Our net sales have grown to $200 million in 2016, reflecting a CAGR of 44% since our inception in 2010. In 2012, we broadened our distribution network by successfully adding new accounts with leading third-party brands. In 2013, we expanded our proprietary value-branded product lines for both Rx medication and OTC medications by introducing our *VetIQ* brand. In 2014, we opened facilities in Springville, Utah, in order to manufacture certain of our proprietary value-branded pet treats, and in Daytona Beach, Florida, to serve our expanding distribution network. From 2012 to the present, we have focused on (i) expanding our proprietary value-branded and distributed product portfolios, (ii) diversifying our customer base, in order to minimize customer concentration, and (iii) optimizing our distributed/proprietary product mix in order to increase our gross margins.

## Key Industry Trends and Developments

We believe the following industry trends and developments are important and favorable to our Company.

### *Humanization of Pets*

There has been a sustained trend toward the humanization of pets, in the sense that more pet owners consider their pets to be their family members, which, in turn, increases the demand for higher quality yet affordable pet health and wellness products available through channels where pet owners shop for their other family members.

### *Growing Market*

More than half of American households own at least one dog or cat with the U.S. market serving approximately 59 million dogs and cats according to Packaged Facts and the APPA. From 2008 to 2016, the percentage of U.S. homes with dogs or cats increased from 50.0% to 54.0%. Since 2001, Americans’ overall spending on their pets has nearly tripled and a significant portion of that spending has been devoted to products we provide, such as Rx medications and OTC medications. Consumers spent approximately $81.4 billion on their pets in 2016, and it is estimated they spent $7.4 billion on Rx medications and OTC medications in 2016 (not including human medications dispensed for the treatment of household pets). Significant improvements in traditional pet treatments for flea, tick and heartworm, as well as the introduction of new treatments for chronic conditions in pets, have contributed to the increase in spending.

In addition, pets are living longer and, as a result, have increasing medication needs. The AVMA reports the percentage of households owning dogs aged six and older rose from 42% in 1991 to 48% in 2011, with comparable figures rising from 29% to 50% for cats. Chronic pet disease is increasingly prevalent in dogs and cats. In 2016, it was reported that 53.9% of dogs and 58.9% of cats are overweight, and in 2015, Packaged Facts reported that approximately 75% of older dogs and predisposed breeds have heart disease.

### *Migration of Sales from Veterinarians to Retailers*

We believe the market for pet medication and health and wellness products in the retail channel is likely to outpace growth in the broader pet industry. This migration away from the veterinary channel has already begun as the estimated mass market share of the U.S. pet medication industry increased from 12% in 2011 to 21% in 2015 while the estimated veterinarian share declined from 63% in 2011 to 59% in 2015. We believe that migration will continue in the future as more consumers become aware of the significant cost savings that retail channels can deliver and our product penetration at retail increases. Historically, high veterinary clinic prices have constrained pet medication sales. Consumers receive significant savings when buying value-branded pet Rx and OTC medications

through the retail channel. As more consumers become aware of these pricing disparities, we believe sales of pet medications will continue to grow in the retail channel and decline in the veterinarian channel. Our affordable high-quality products will help unlock demand and provide cost sensitive customers the leading treatments they want at prices they can afford.

***Fairness to Pet Owners Act of 2017***

We believe that, if enacted, the FTPOA, now pending before Congress, has the potential to accelerate the migration of pet medications to the retail channel. Many pet medications cannot be purchased without a prescription signed by a veterinarian. But in most states veterinarians, unlike physicians treating humans, are not required to give pet owners a prescription that they can fill in retail pharmacies. In May 2015, the FTC published a report titled "Competition in the Pet Medications Industry," which concluded that giving consumers prescriptions on demand would likely increase competition. The FTPOA would guarantee that pet owners would receive a copy of their pets' prescriptions without having to ask, pay a prescription release fee or sign a liability waiver. Because a pet prescription is required to purchase many pet medications, we believe that the FTPOA, if enacted, would significantly increase retail sales of pet medications and our net sales and profits. For example, 67% of prescription heartworm medications purchased by dog owners are purchased from veterinarians, according to Packaged Facts. We believe automatic receipt of portable prescriptions will enable pet owners to fill prescription medications in the retail channel at discounts comparable to those of OTC pet medications at retail.

The enactment of the Fairness to Contact Lens Consumers Act in 2003, which requires eye care professionals to give consumers contact lens prescriptions, demonstrates the benefits of prescription access to contact lens consumers and to retailers. As a result of this statute, upon which the FTPOA was modeled, contact lens users are no longer obligated to purchase contact lenses from prescribing eye care professionals and now purchase a significant amount of contact lenses online and at retail outlets for prices far less than the prices charged by eye care professionals when they were the sole source of supply. Since 2003, the contact lens industry has more than doubled in size primarily as a result of more customers entering the market due to lower prices and previous customers replacing their lenses more often. Similarly the FTPOA, if enacted, has the potential to spark significant growth in the market for pet medications, as more pet owners will be able to afford veterinarian-grade products.

## Our Strategy

We believe there are significant opportunities to grow our brand awareness, increase our net sales and deliver shareholder value by executing on the following initiatives:

- Grow consumer awareness of our products in the retail channel;
- Deliver innovation in pet health and wellness at a great consumer value;
- Expand strong partnerships with leading retailers and pharmacies;
- Increase shelf space with existing retailers; and
- Enhance margins.

## Components of our Results of Operations

***Net Sales***

Our net sales consist of our total sales net of product returns, allowances (discounts), trade promotions and incentives. We offer a variety of trade promotions and incentives to our customers, such as cooperative advertising programs and in-store displays. We recognize revenue when persuasive evidence of an arrangement exists, in accordance with the terms of our contracts, which generally occurs upon shipment of product, when the price is fixed or determinable and when collectability is reasonably assured. These trade promotions are used to increase our aggregate net sales. Our net sales are periodically influenced by the timing, extent and amount of such trade promotions and incentives.

Historically, our net sales have primarily been driven by our distribution of leading third-party brand pet Rx medications and OTC brands; however, sales of our own proprietary value-branded products, including health and wellness products, have increasingly become an important component of our growth in net sales and margin. Our strategy has been, and will continue to be, to increase our net sales by anticipating retailers' and consumers' needs and determining if we can profitably provide products to fill those needs. Then, we secure the products through our expansive supplier networks and distribute to our key retailers. Next, we broaden distribution to other retailers and

eventually develop our own proprietary value-branded version of the product that we can sell, at higher margin and at lower pricing, to the retailers that originally purchased the distributed product. This provides our retail customers and pet owners a meaningful choice between the leading brand and a value-branded alternative.

Key factors that may affect our future sales growth include: new product introductions; expansion into e-commerce and other customer bases; the willingness of retail stores and pharmacies to carry our product lines and to maintain pricing levels necessary for profitability; aggressive pricing by our competitors; and whether we can maintain and develop positive relationships with key retail customers, such as Walmart and Sam's Club.

In addition, the industry trends and developments referenced above (see—"Key Industry Trends and Developments") have significantly affected our sales growth since our inception and we expect these trends to continue to significantly affect our sales growth in the future. From 2015 to 2016, our net sales increased by approximately 6%, excluding a one-time sales opportunity of $16.6 million, as compared to the projected growth of retail channel pet supplies, as measured by Packaged Facts, which increased by 3.2%.

While most of our products are sold consistently throughout the year, we experience seasonality in the form of increased retailer demand for our flea and tick product offerings in the first two quarters of the year in preparation for increased consumer demand during the summer months.

Our products are primarily consumables and, as such, they experience a replenishment cycle.

***Gross Profit***

Gross profit is our net sales less cost of sales. Our cost of sales consists primarily of costs of raw goods, packaging materials, manufacturing and purchasing the products we sell, shipping and handling costs and costs associated with our warehouses and distribution network. Gross margin measures our gross profit as a percentage of net sales. With respect to our proprietary products, we have a manufacturing network that includes leased manufacturing facilities where we manufacture finished goods, as well as third-party contract manufacturing facilities from which we purchase finished products predominately on a dollar-per-unit basis. Since our inception in 2010, we have worked closely with our contract manufacturers to negotiate lower costs through increased volume of purchases and price negotiations. The gross margin on our proprietary value-branded products is higher than on our distributed products. For distributed products, our costs are driven largely by whether we source the product direct from the manufacturer or a licensed distributor. Increasingly, PetIQ sources distributed brands direct from the manufacturer or from licensed distributors.

***General and Administrative Expenses***

Our general and administrative expenses primarily consist of employee compensation and benefits expenses, sales and merchandizing expenses, advertising and marketing expenses, rent and lease expenses, IT and utilities expenses, professional fees, insurance costs, R&D costs and consulting fees. General and administrative expenses as a percentage of net sales have decreased from 15.4% in the first quarter of 2016 to 11.0% in the first quarter of 2017, primarily driven by decreasing net sales and litigation expenses. In the future, we expect our general and administrative expenses, except for litigation expenses, to grow at a slower rate than our net sales growth as we leverage our past investments. In addition, we expect that after the consummation of this offering there will be an increase in our general and administrative expenses of approximately $1.6 million each year as a result of the additional reporting and compliance costs associated with being a public reporting company. Litigation resulted in legal expenses of $2.6 million in 2015 and $3.3 million in 2016. We do not expect material litigation-related expenses in 2017.

Our advertising and marketing expenses primarily consist of national television media, digital marketing, social media and loyalty programs geared towards building brand awareness and the value of our proprietary value-branded offerings. These expenses may vary from quarter to quarter but typically they are higher in the second and third quarters, during the flea and tick season. We expect our marketing and advertising expenses to decrease as a percentage of net sales as we continue to concentrate campaigns to relevant markets, as well as shift spending towards in-store marketing and customer trade-supported programs.

As noted above, we experience seasonality in the form of increased demand for our flea and tick product offerings in the first two quarters of the year in preparation for the spring and summer seasons and, as a result, the sales and merchandizing expenses component of our general and administrative expenses generally increases in the second and third quarters due to promotional spending relating to our flea and tick product lines.

To continue to grow our pet Rx medications, OTC medications and health and wellness products, we invest in R&D on an ongoing basis. In addition to our own in-house R&D innovation specialists, we have also leveraged our market position to emerge as an attractive partner for outside R&D scientists developing new products and technologies in the pet health and wellness field. We believe these outside R&D scientists seek us out to partner on innovative products due to our proprietary value-branded manufacturing experience and relationships with key retail channel contacts. As our proprietary value-branded product lines continue to expand, we expect our R&D costs, and therefore our general and administrative expenses, could increase in the immediate future, but not necessarily as an overall percentage of net sales.

***Net Income (Loss)***

Our net income (loss) for future periods will be affected by the various factors described above. In addition, our historical results benefit from insignificant income taxes due to our status as a pass-through entity for U.S. federal income tax purposes, and we anticipate future results will not be consistent as our net income will be subject to U.S. federal and state income taxes.

## Results of Operations

The following tables set forth our consolidated statements of operations in dollars and as a percentage of net sales for the periods presented:

| (dollars in thousands, except for percentages and per share data) | THREE MONTHS ENDED MARCH 31, | | % OF NET SALES | | YEAR ENDED DECEMBER 31, | | % OF NET SALES | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2016 | 2015 | 2016 | 2015 |
| Net sales | $ 67,029 | $ 52,298 | 100.0% | 100.0% | $200,162 | $205,687 | 100.0% | 100.0% |
| Cost of sales | 54,829 | 42,526 | 81.8 | 81.3 | 167,615 | 166,529 | 83.7 | 81.0 |
| Gross profit | 12,200 | 9,772 | 18.2 | 18.7 | 32,547 | 39,158 | 16.3 | 19.0 |
| Operating expenses | | | | | | | | |
| General and administrative expenses | 7,405 | 8,063 | 11.0 | 15.4 | 31,845 | 35,588 | 15.9 | 17.3 |
| Operating income | 4,795 | 1,709 | 7.2 | 3.3 | 702 | 3,570 | .4 | 1.7 |
| Other income (expense) | | | | | | | | |
| Other expense (income), net | 3 | (2) | — | — | (666) | | — | — |
| Loss on debt extinguishment | — | 993 | — | — | 1,681 | 1,449 | | — |
| Foreign currency loss (gain), net | 49 | 121 | — | — | 24 | (75) | — | — |
| Interest expense | 464 | 901 | — | — | 3,058 | 3,545 | — | — |
| Total other expense | 516 | 2,013 | — | — | 4,097 | 4,919 | — | — |
| Net income (loss) | $ 4,279 | $ (304) | — | — | $ (3,395) | $ (1,349) | — | — |
| Pro forma weighted average shares used for computation of: (unaudited) (1) | | | | | | | | |
| Basic | | | — | — | | | — | — |
| Diluted | | | — | — | | | — | — |
| Pro forma net income (loss) per common share (unaudited) (1) | | | | | | | | |
| Basic | $ | $ | — | — | $ | $ | $ — | — |
| Diluted | $ | $ | — | — | $ | $ | $ — | — |

(1) Gives effect to the Transactions and this offering. See “Unaudited Pro Forma Consolidated Financial Information” for a detailed presentation of the unaudited pro forma information, including a description of the transactions and assumptions underlying the pro forma adjustments.

### Three Months ended March 31, 2017 Compared With Three Months ended March 31, 2016

***Net Sales***

Net sales increased $14.7 million, or 28.2%, to $67.0 million for the three months ended March 31, 2017, compared to $52.3 million for the three months ended March 31, 2016. Net sales increased $14.7 million, or 28.2%, to $67.0 million for the three months ended March 31, 2017, compared to $52.3 million for the three months ended March 31, 2016. This increase was primarily due to $9.1 million in expanded offerings to existing customers and $5.6 million in sales to customers that did not make purchases in the prior year period. In addition, $9.4 million of the total increase was attributable to the launch of our new or refreshed products.

In addition, the Company spent $2.4 million and $1.5 million in trade marketing during the three months ended March 31, 2017 and 2016, respectively. Trade marketing funds are customer level promotions that the Company participates in through the reduction of sales. These amounts are included in net sales by customer as a contra revenue item.

***Gross Profit***

Gross profit increased $2.4 million, or 24.8%, to $12.2 million for the three months ended March 31, 2017, compared to $9.8 million for the three months ended March 31, 2016 and gross margin decreased to 18.2% for the three months ended March 31, 2017, from 18.7% for the three months ended March 31, 2016. The gross margin decrease was driven primarily by product mix related to a number of new customers that primarily purchase lower margin items, as well as increased trade spend which reduces revenue and thus gross profit.

***General and Administrative Expenses***

General and administrative expenses were $7.4 million for the three months ended March 31, 2017, down $0.7 million from $8.1 million for the three months ended March 31, 2016. The decrease primarily reflects:

- Decreased litigation costs of $1.3 million due to settled litigation;
- Increased R&D and licensing expenses related to new products of $0.2 million; and
- Increased advertising, selling and commission expense due to increased sales of $0.5 million.

As a percentage of net sales, our general and administrative expenses decreased to 11.0% for the three months ended March 31, 2017 from 15.4% for the three months ended March 31, 2016.

***Other Expense***

Other expense was $0.5 million and $2.0 for the three months ended March 31, 2017 and 2016, respectively. The $1.5 million decrease was driven by better lending terms and the lack of refinancing costs in the first quarter of 2017.

***Net Income (Loss)***

As a result of the factors above, net income increased by $4.6 million to $4.3 million for the three months ended March 31, 2017, compared to a net loss of $0.3 million for the three months ended March 31, 2016.

### Year ended December 31, 2016 Compared With Year ended December 31, 2015

***Net Sales***

Net sales decreased $5.5 million, or 2.7%, to $200.2 million for 2016, compared to $205.7 million for 2015. The Company realized $16.6 million related to a one-time sales opportunity in 2015. These sales did not recur in 2016. Excluding the one-time sales opportunity to Walmart, net sales grew approximately $11.0 million or 5.8% in 2016 as compared to 2015. Growth was primarily driven by the launch of a new manufactured OTC product and growth in e-commerce sales.

In addition, the Company spent $5.5 million and $3.3 million in trade marketing for the years ended December 31, 2016 and 2015, respectively.

***Gross Profit***

Gross profit decreased $6.6 million, or 16.9%, to $32.5 million for 2016, compared to $39.2 million for 2015. Gross margin decreased to 16.3% for 2016, from 19.0% for 2015. These decreases resulted primarily from the one-time sales opportunity discussed above and the resulting impact on product mix. Excluding the one-time sales

opportunity, gross profit grew approximately $0.5 million, or 1.6%, as compared to 2015 and gross margin decreased to 16.3% for 2016 compared to 16.9% for 2015. The decrease in gross margin in 2016 is primarily due to increased trade marketing expenditures, which reduce net sales.

***General and Administrative Expenses***

General and administrative expenses were $31.8 million for 2016, down $3.7 million from $35.6 million for 2015. The decrease primarily reflects decreased advertising expenses as the company transitioned to more trade incentives as opposed to national media advertising. In connection with the one-time sales opportunity, the Company spent approximately $2.3 million on national media advertising in 2015. Excluding this cost, general and administrative expenses decreased by $1.5 million to $31.8 million in 2016.

As a percentage of net sales, our general and administrative expenses decreased from 17.3% in 2015 to 15.9% in 2016. Excluding the advertising expense associated with the one-time sales opportunity, general and administrative expenses as a percentage of net sales decreased from 17.6% in 2015 to 15.9% in 2016.

***Other Expense***

Other expense decreased by $0.8 million to $4.1 million in 2016, compared to $4.9 million in 2015. Of the $4.1 million of other expense in 2016:

- loss on debt extinguishment was $1.7 million in 2016, compared to $1.4 million in 2015, reflecting costs relating to the refinancing of our prior credit facilities, including a write-off of unamortized loan fees, legal fees and termination fees. 2016 included two separate refinance transactions, while 2015 only included one;
- other income of $0.7 million was realized in 2016, driven by a gain on a warranty claim related to an acquisition the Company completed in 2013; and
- interest expense was $3.1 million in 2016, down from $3.5 million in 2015, primarily due to the refinancing transactions allowing for lower interest rates and improved use of cash.

***Net Loss***

As a result of the factors above, net loss increased by $2.0 million to a net loss of $3.4 million for 2016, compared to a net loss of $1.3 million for 2015. Excluding the one-time sales opportunity, net loss in 2015 was $6.2 million, as compared to a net loss of $3.4 million in 2016.

## Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are non-GAAP financial measures. EBITDA represents net income before interest, income taxes and depreciation and amortization. Adjusted EBITDA represents EBITDA plus loss on debt extinguishment, litigation expenses, costs associated with becoming a public company, and a supplier receivable write-off. Adjusted EBITDA adjusts for transactions that management does not believe are representative of our core ongoing business. Adjusted EBITDA is utilized by management: (i) as a factor in evaluating management's performance when determining incentive compensation and (ii) to evaluate the effectiveness of our business strategies. The Company presents EBITDA because it is a necessary component for computing Adjusted EBITDA.

We believe that the use of EBITDA and Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends. In addition, you should be aware when evaluating EBITDA and Adjusted EBITDA that in the future we may incur expenses similar to those excluded when calculating these measures. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by these or other unusual or non-recurring items. Our computation of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate EBITDA and Adjusted EBITDA in the same manner.

Our management does not, and you should not, consider EBITDA or Adjusted EBITDA in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of EBITDA and Adjusted EBITDA is that they exclude significant expenses and income that are required by GAAP to be recorded in our financial statements. Some of these limitations are:

- EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

- EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA does not reflect the interest expenses, or the cash requirements necessary to service interest or principal payments, on our debts;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing core operations; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only supplementally. You should review the reconciliations of net loss to EBITDA and Adjusted EBITDA below and not rely on any single financial measure to evaluate our business.

The following table reconciles net loss to EBITDA and Adjusted EBITDA for the periods presented:

| | THREE MONTHS ENDED MARCH 31, | | YEAR ENDED DECEMBER 31, | |
|---|---|---|---|---|
| (dollars in thousands) | 2017 | 2016 | 2016 | 2015 |
| Net income (loss) | $ 4,279 | $ (304) | $ (3,395) | $ (1,349) |
| Non-GAAP adjustments: | | | | |
| Depreciation | 536 | 476 | 1,915 | 1,842 |
| Amortization | 260 | 272 | 1,067 | 735 |
| Interest | 464 | 901 | 3,058 | 3,545 |
| EBITDA | 5,539 | 1,345 | 2,645 | 4,773 |
| Loss on debt extinguishment (1) | — | 993 | 1,681 | 1,449 |
| Litigation expenses (2) | — | 1,349 | 3,262 | 2,622 |
| Costs associated with becoming a public company | — | — | 2,180 | 626 |
| Supplier receivable write-off (3) | — | — | — | 1,449 |
| Management fees (4) | 190 | 119 | 864 | 462 |
| One-time sales opportunity (5) | — | — | — | (4,832) |
| Adjusted EBITDA | $ 5,729 | $ 3,806 | $ 10,632 | $ 6,549 |

(1) Loss on debt extinguishment reflects costs relating to the refinancing of our prior credit facility, including a write-off of unamortized loan fees, legal fees and termination fees.
(2) These litigation expenses relate to cases involving the Company that were favorably resolved in the second quarter of 2016. The Company does not expect material litigation expenses in 2017.
(3) During 2015 the Company terminated its relationship with a supplier in accordance with a supply agreement, resulting in the Company writing off the full amount of cash advanced to the supplier as a supplier prepayment on the procurement of inventory as of December 31, 2015. Subsequent to December 31, 2015, the Company initiated litigation to attempt to collect the cash advanced to the supplier.
(4) Represents annual fees paid pursuant to our management agreements with Eos, Porchlight and Labore. The management agreements will terminate in connection with this offering; however, we will pay fees to members of our board of directors following the offering. See “Certain Relationships and Related Party Transactions.”
(5) The Company realized $16.6 million in net sales to Walmart as part of a one-time sales opportunity in 2015. These sales to Walmart did not recur in 2016.

## Quarterly Financial Data

The following table presents selected quarterly data through March 31, 2017. This quarterly information has been prepared using our unaudited interim condensed consolidated financial statements and includes all adjustments consisting only of normal recurring adjustments necessary for a fair presentation of the results of interim periods.

| | FISCAL QUARTER ENDED | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | MARCH 31, 2017 | DECEMBER 31, 2016 | SEPTEMBER 30, 2016 | JUNE 30, 2016 | MARCH 31, 2016 | DECEMBER 31, 2015 | SEPTEMBER 30, 2015 | JUNE 30, 2015 |
| (dollars in thousands) | (unaudited) | | | | | | | |
| **Selected Financial Data:** | | | | | | | | |
| Net sales (1) | $ 67,029 | $ 44,913 | $ 41,671 | $61,280 | $ 52,298 | $ 39,337 | $ 48,590 | $62,190 |
| Gross profit | 12,200 | 7,654 | 6,160 | 8,961 | 9,772 | 7,016 | 8,612 | 11,169 |
| Net income (loss) | 4,279 | (1,177) | (2,512) | 598 | (304) | (2,076) | (1,570) | (1,414) |
| EBITDA (2) | 5,539 | 316 | (1,136) | 2,120 | 1,345 | (465) | (13) | 185 |
| Adjusted EBITDA (2) | 5,729 | 1,534 | 1,155 | 4,137 | 3,806 | 1,359 | 1,021 | 595 |

(1) Net sales includes trade marketing contra revenue of $2,356, $1,333, $1,439, $1,179, $1,504, $248, $247 and $581, respectively.
(2) The following table reconciles net income (loss) to EBITDA and Adjusted EBITDA for the quarterly periods presented:

| | FISCAL QUARTER ENDED | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | MARCH 31, 2017 | DECEMBER 31, 2016 | SEPTEMBER 30, 2016 | JUNE 30, 2016 | MARCH 31, 2016 | DECEMBER 31, 2015 | SEPTEMBER 30, 2015 | JUNE 30, 2015 |
| (dollars in thousands) | | | | (unaudited) | | | | |
| Net income (loss) | $ 4,279 | $ (1,177) | $ (2,512) | $ 598 | $ (304) | $ (2,076) | $ (1,570) | $ (1,414) |
| Non-GAAP adjustments: | | | | | | | | |
| Depreciation | 536 | 565 | 375 | 499 | 476 | 467 | 458 | 462 |
| Amortization | 260 | 259 | 264 | 272 | 272 | 250 | 182 | 164 |
| Interest Expense | 464 | 669 | 737 | 751 | 901 | 894 | 916 | 973 |
| EBITDA | 5,539 | 316 | (1,136) | 2,120 | 1,345 | (465) | (14) | 185 |
| Loss on debt extinguishment (1) | — | 688 | — | — | 993 | — | — | — |
| Litigation expenses (2) | — | 36 | 41 | 1,836 | 1,349 | 788 | 778 | 746 |
| Costs associated with becoming a public company | — | 138 | 2,042 | — | — | 218 | 147 | 175 |
| Supplier receivable write off (3) | — | — | — | — | — | 1,049 | 400 | — |
| Management fees (4) | 190 | 356 | 208 | 181 | 119 | 117 | 115 | 115 |
| One-time sales opportunity(5) | — | — | — | — | — | (348) | (405) | (626) |
| Adjusted EBITDA | $ 5,729 | $ 1,534 | $ 1,155 | $ 4,137 | $ 3,806 | $ 1,359 | $ 1,021 | $ 595 |

(1) Loss on debt extinguishment reflects costs relating to the refinancing of our prior credit facility, including a write-off of unamortized loan fees, legal fees and termination fees.
(2) These litigation expenses relate to cases involving the Company that were favorably resolved in the second quarter of 2016. The Company does not expect material litigation expenses in 2017.
(3) During 2015 the Company terminated its relationship with a supplier in accordance with a supply agreement, resulting in the Company writing off the full amount of cash advanced to the supplier as a supplier prepayment on the procurement of inventory as of December 31, 2015. Subsequent to December 31, 2015, the Company initiated litigation to attempt to collect the cash advanced to the supplier.
(4) Represents annual fees paid pursuant to our management agreements with Eos, Porchlight and Labore. The management agreements will terminate in connection with this offering; however, we will pay fees to members of our board of directors following the offering. See “Certain Relationships and Related Party Transactions.”
(5) The Company realized $16.6 million in net sales to Walmart as part of a one-time sales opportunity in 2015. These sales to Walmart did not recur in 2016.

## Financial Condition, Liquidity and Capital Resources

### *Overview*

Historically, our primary sources of liquidity have been cash flow from operations and equity contributions. In addition, we have a $50 million credit facility to provide us with an additional source of liquidity. As of March 31, 2017 and December 31, 2016, our cash and cash equivalents were $1.4 million and $0.8 million, respectively, compared to cash and cash equivalents as of March 31, 2016 and December 31, 2015 of $1.7 and $3.3 million, respectively. As of March 31, 2017, we had $45.5 million outstanding under our New Credit Agreement (as defined below), consisting of $4.6 million on a term loan and $40.9 million on the revolver. See “Description of Indebtedness.”

Our primary cash needs are for working capital. Our maintenance capital expenditures have typically been less than 1.0% of net sales, but we may make additional capital expenditures as necessary to support our growth. Our primary working capital requirements are to carry inventory levels necessary to support our increased net sales. Fluctuations in working capital are primarily driven by the timing of new product launches. As of March 31, 2017 and December 31, 2016, we had working capital (current assets less current liabilities) of $66.1 million and $43.5 million, respectively, and $49.2 million as of December 31, 2015. We believe that our operating cash flow, cash on hand, debt proceeds from our borrowings under our credit facility and the proceeds of this offering will be adequate to meet our operating, investing and financing needs for the foreseeable future. Additionally, we borrow funds under our revolving credit facility to finance liquidity requirements, subject to customary borrowing conditions. To the extent additional funds are necessary to meet long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through the incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds, although we can provide no assurance that these sources of funding will be available on reasonable terms.

## Cash Flows

### *Cash Used in Operating Activities*

Net cash used in operating activities was $16.9 million for the first quarter of 2017, compared to $3.6 million for the first quarter of 2016. The increase in cash used in operating activities was primarily related to increases in inventory and accounts receivables resulting from increased sales and plans for continued increases in sales, offset by increases in accounts payable and net income.

Net cash used in operating activities was $0.9 million for 2016, compared to $6.4 million for 2015. The reduction in cash used in operating activities primarily reflects lower growth in working capital lead by lower expenditures for inventory and less cash outstanding for supplier prepayments. We are reliant on external financing to fund working capital growth and we believe such financing will continue to be available on similar or improved terms based on improving operations of the Company.

### *Cash Used in Investing Activities*

Net cash used in investing activities was $0.5 million for the first quarter of 2017, compared to $0.8 million for the first quarter of 2016. This decrease resulted from decreased capital investment, primarily in production equipment.

Net cash used in investing activities was $1.5 million for 2015, compared to $2.0 million for 2016. This increase in cash used resulted primarily from an increase in our capital expenditures. 2016 saw incremental expenditures on production equipment for new or refreshed product lines.

### *Cash Provided by Financing Activities*

In the first quarter of 2017, net cash provided by financing activities was $18.0 million, consisting primarily of net borrowings under our credit facilities to finance operations and provide for inventory and receivable growth. In the first quarter of 2016, net cash provided by financing activities was $2.9 million, consisting primarily of net borrowings under our credit facility. See “Description of Indebtedness” section.

In 2015, net cash provided by financing activities was $9.8 million, consisting primarily of net borrowings under our credit facilities, offset by increases in restricted cash. See “—Description of Indebtedness”. In 2016, net cash
provided by financing activities was $.7 million, driven by a net pay down of long term debt offset by cash provided by reductions in restricted cash.

### Description of Indebtedness

OpCo entered into a new credit agreement (the “New Credit Agreement”) on December 21, 2016. This agreement fully repaid and terminated the A&R Credit Agreement described below. The New Credit Agreement provides for aggregate secured financing of $50 million at either LIBOR or Base (prime) interest rates plus an applicable margin, consisting of

(i) $45 million revolving credit facility (“Revolver”) maturing on December 21, 2019; and
(ii) $5 million term loan (“Term Loans”), requiring equal amortizing payments for 23 months and maturing on December 21, 2018.

As of March 31, 2017, OpCo had $4.6 million outstanding as Term Loans and $40.9 million outstanding under the Revolver. As of March 31, 2017, the interest rate on the Term Loans and Revolver was 4.50.

The New Credit Agreement contains certain covenants and restrictions including a fixed charge coverage ratio and a minimum EBITDA target and is secured by all of OpCo’s assets and the assets of each guarantor, subject to certain exceptions. As of March 31, 2017 and December 31, 2016, OpCo was in compliance with these covenants.

On March 24, 2016, OpCo refinanced its credit facilities under the Original Credit Agreement pursuant to that certain Amended and Restated Credit Agreement (the “A&R Credit Agreement”) with Crystal, as the administrative agent and East West Bank, as the revolver agent, which provides for two term loan facilities and a revolving credit facility. The A&R Credit Agreement provided for aggregate secured financing of $48.0 million, consisting of (i) $3.0 million in aggregate principal amount of term loans maturing on August 31, 2016 (the “Term B Loans”), (ii) $20.0 million in aggregate principal amount of term loans (the “Term A Loans”) maturing on March 16, 2018 and (iii) a $25.0 million revolving credit facility maturing on March 16, 2018 (the “revolving credit facility”). As of March 31, 2016, we had $20.0 outstanding Term A Loans, $3.0 outstanding Term B Loans and $6.2 outstanding under the revolving credit facility and the interest rate on the Term A Loans was the LIBOR rate plus 9.75%, the interest rate on the Term B Loans was the LIBOR rate plus 3.25% and the interest rate on the revolving credit facility was the LIBOR rate plus 3.00%.

The A&R Credit Agreement contained a number of covenants that, among other things, restricted our and our subsidiaries’ ability to (subject to certain exceptions): (i) make investments, loans or advances; (ii) incur additional indebtedness; (iii) create liens on assets; (iv) enter into sale and leaseback transactions; (v) engage in mergers or consolidations and/or sell assets; (vi) pay dividends and distributions or repurchase our equity interests; (vii) repay subordinated indebtedness; (viii) make certain acquisitions; and (ix) other restrictions typical for a credit agreement of this type. The A&R Credit Agreement did not restrict our ability to make tax distributions.

On March 16, 2015, OpCo entered into a Credit Agreement (the “Original Credit Agreement”) with Crystal Financial LLC (“Crystal”), as the administrative agent, which provided for a term loan and revolving credit facility. The Original Credit Agreement provided for aggregate secured financing of $40.0 million, consisting of (i) $33.0 million in aggregate principal amount of term loans and (ii) a $7.0 million revolving credit facility maturing on March 16, 2018. As of December 31, 2015, there were no outstanding borrowings under the revolving credit facility and $32.9 million of outstanding term loans under the term loan facilities. As of December 31, 2015, the interest rate on each of the revolving credit facility and the term loan facilities was the LIBOR rate, plus 9%. The Company was in compliance with its financial debt covenants in the Original Credit Agreement as of December 31, 2015.

### Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of March 31, 2017:

| | PAYMENTS DUE BY PERIOD | | | | |
|---|---|---|---|---|---|
| (dollars in thousands) | TOTAL | 2017 | 2018-2019 | 2020-2021 | THEREAFTER |
| Long-term debt (1) | $45,504 | $ 1,875 | $ 43,629 | $ | $ — |
| Interest on debt (2) | 5,232 | 1,486 | 3,746 | — | — |
| Operating lease obligations | 3,737 | 1,281 | 2,295 | 69 | 92 |
| Capital lease obligations | 515 | 74 | 193 | 160 | 88 |
| Product purchase obligations (3) | 17,181 | 17,181 | — | — | — |
| Building purchase | 2,275 | 2,275 | — | — | — |
| Deferred acquisition liability | 1,580 | 250 | 1,330 | — | — |
| Total contractual obligations | $76,024 | $24,422 | $ 51,193 | $ 229 | $ 180 |

(1) Does not reflect any excess cash flow payments.
(2) Reflects interest expense calculated using the current interest rates for the term loans and revolving credit facility
(3) Reflects our estimate of open purchase orders placed with suppliers

### Critical Accounting Policies and Estimates

Our consolidated financial statements included elsewhere in this prospectus have been prepared in accordance with GAAP. The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates. While our significant accounting policies are more fully described in the notes to our consolidated financial statements included elsewhere in this prospectus, we believe that the following accounting policies and estimates are critical to our business operations and understanding of our financial results.

***Revenue Recognition***

We recognize revenue when persuasive evidence of an arrangement exists, in accordance with the terms of our contracts, which generally occurs upon shipment of product, when the price is fixed or determinable and when collectability is reasonably assured. A sales return allowance is recorded and accounts receivable are reduced as revenues are recognized for estimated losses on credit sales due to customer claims for discounts, returned goods and other items.

We offer a variety of trade promotions and incentives to our customers, such as cooperative advertising programs and in-store displays. Sales are recorded net of trade promotion spending, which is recognized at the later of the date on which we recognize the related revenue or the date on which we offer the incentive. Our net sales are periodically influenced by the timing, extent and amount of such trade promotions and incentives. Accruals for expected payouts under these programs are included in our other accrued expenses.

***Goodwill***

Goodwill is the excess of the consideration paid over the fair value of specifically identifiable assets, liabilities and contingent liabilities in a business combination and relates to the future economic benefits arising from assets, which are not capable of being individually identified and separately recognized.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but is reviewed for impairment annually in our fourth quarter or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The goodwill impairment test consists of a two-step process, if necessary. However, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350.

The Company performed its qualitative assessment during the fourth fiscal quarter of 2016 and concluded that it was more likely than not that the fair values of its reporting units were greater than their carrying amounts. After reaching this conclusion, the two-step impairment test was unnecessary and no further testing was performed. The qualitative factors that were considered included, but were not limited to, general economic conditions, outlook for the pet sector, and recent and forecasted financial performance.

Goodwill impairment analysis and measurement is a process that requires significant judgment. If there are significant changes in market conditions or a future downturn in our business, or a future annual goodwill impairment test indicates an impairment of our goodwill, we may have to recognize impairment of our goodwill.

***Intangible Assets***

Indefinite lived intangible assets consist primarily of trademarks. Trademarks represent costs paid to legally register phrases and graphic designs that identify and distinguish products sold by us. Trademarks are not amortized, rather potential impairment is considered on an annual basis, or more frequently upon the occurrence of an event or when circumstances indicate that the book value of trademarks are greater than their fair value. No impairment charge was recorded for the quarters ended March 31, 2017 or 2016 or years ended December 31, 2016 and 2015.

Definite-lived intangible assets consist of a distribution agreement, production certifications, patents and processes, customer relationships, and brand names. The assets are amortized on either a straight-line basis over the expected useful life or proportionately to the benefits derived from those relationships. Useful lives vary by asset type and are determined based on the period over which the intangible asset is expected to contribute directly or indirectly to our future cash flows. Useful lives range from 2 to 15 years.

***Inventories***

Inventories are stated at the lower of cost or net realizable value. Cost is typically determined using the first-in first-out (“FIFO”) method. We maintain reserves for estimated obsolete or unmarketable inventory based on the difference between the cost of inventory and its estimated net realizable value. In estimating the reserves, management considers factors such as excess or slow-moving inventories, product expiration dating and market conditions. Changes in these conditions may result in additional reserves. Major components of inventories were as follows:

| | AS OF MARCH 31, | | AS OF DECEMBER 31, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2016 | 2015 |
| Raw materials and work in progress | $ 5,866 | $ 4,532 | $ 5,924 | $ 4,292 |
| Finished goods | 42,188 | 34,600 | 28,308 | 29,393 |
| Total inventories | $48,054 | $39,132 | $34,232 | $33,685 |

***Litigation***

We are subject to various legal proceedings, claims, litigation, investigations and contingencies arising out of the ordinary course of business. If the likelihood of an adverse legal outcome is determined to be probable and the amount of loss is estimable, then a liability is accrued in accordance with accounting guidance for contingencies. We consult with both internal and external legal counsel related to litigation.

# BUSINESS

## Overview

PetIQ is a rapidly growing distributor and manufacturer of veterinarian-grade pet Rx medications, OTC flea and tick preventatives and health and wellness products for dogs and cats. We pioneered and are the leading seller to the retail channel of pet products that were previously available for purchase primarily from veterinary clinics. We enable our customers to offer pet owners choice, affordability and convenience on products from leading national brands as well as our proprietary value-branded alternatives. Consumer behavior supports our continuing growth: pet owners are increasingly migrating their purchases away from veterinarians' offices to the channels we serve. In addition, pet owners are shifting their retail purchases from non-veterinarian-grade products, previously the only products available in the retail channel, to the premium veterinarian-grade products that we sell. We believe we are well positioned to capitalize on these changes in consumer behavior because of our category leadership, broad product portfolio, value proposition and strong customer relationships. The end markets we serve are large and growing: U.S. sales of pet medications have grown to an estimated $7.4 billion in 2016 and are estimated to reach $8.9 billion by 2019, representing a CAGR of 6% between 2016 and 2019, according to Packaged Facts.

Our product portfolio spans a wide range of veterinarian-grade Rx medications and leading OTC medications as well as other health and wellness products. We offer our customers a comprehensive category management solution and sell products under multiple brands to address channel-specific requirements. Our most popular product categories include:

| CATEGORY | PRODUCT FUNCTION | DISTRIBUTED BRANDS | PROPRIETARY BRANDS |
|---|---|---|---|
| Rx Medications | Heartworm preventatives<br>Arthritis treatments<br>Heart disease treatment | Heartgard Plus<br>RIMADYL (carprofen)<br>vetoquinol (pimobendan) | HEART SHIELD Plus<br>TRUPROFEN (buprofen) |
| OTC Medications and Supplies | Flea and tick prevention | FRONTLINE Plus | PETACTION<br>ADVECTA<br>vetGuard<br>PetLock |
| Health and Wellness Products | Vitamins<br>Treats<br>Nutritional supplements<br>Hygiene products | NA | VETIQ<br>Dekaplex<br>BETSY FARMS<br>Mimi Market<br>VERA |

We believe that our value proposition to consumers drives increasing demand for our products. Pet owners can typically buy our distributed products from retailers at a 20-30% savings compared to the prices charged by veterinarians, and can save as much as 50% on our proprietary value-branded products, which contain the same active ingredients as distributed products and are subject to the same FDA and EPA approval process.

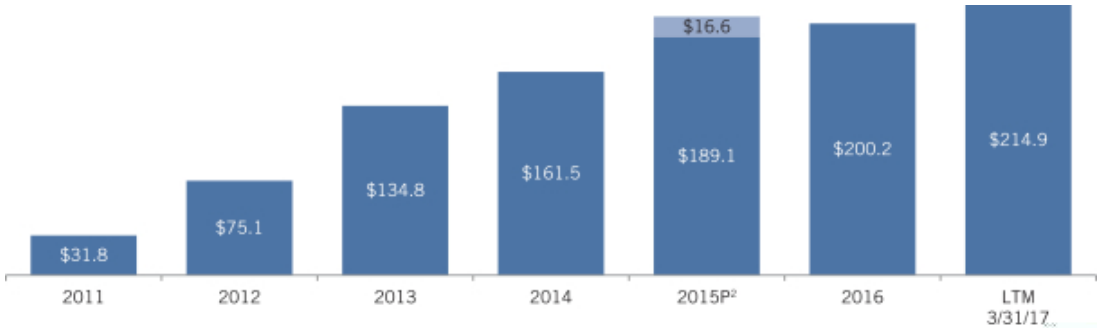
We have successfully introduced our products into all major retail channels including mass, food and drug, clubs, pet specialty, online and pharmacies. Our network of customers includes Walmart, Sam's Club, Costco, PetSmart, Petco, Kroger, Target, and BJ's Wholesale Club, among others, and more than 40,000 retail pharmacy locations. We support our retail customers by (i) providing unique merchandising solutions, (ii) offering 24-hour fulfillment of Rx pet medications to pharmacies and (iii) creating marketing and promotional programs that highlight the value proposition and availability of veterinarian-grade pet medications through the retail channel.

We rapidly develop, manufacture and introduce innovative new products to retailers and consumers. Our current product portfolio and pipeline of future products have been developed through a combination of in-house specialists and animal health R&D experts. In addition, we specialize in market analysis, product development, packaging, marketing, industry licensing and managing both EPA and FDA regulated products. These internal and external resources enable us to expand our portfolio of proprietary value-branded products and develop next-generation versions of our existing products. We have found that our retail expertise and strong market position makes us an attractive partner for scientists and entrepreneurs developing new products in the pet health and wellness field. A combination of our internal expertise and strategic relationships have produced several of our top selling products and brands, including *VetIQ*, *PetAction Plus, Advecta, PetLock Plus* and *TruProfen*.

Recent financial highlights include:

- Net sales growth from $31.8 million in fiscal year 2011 to $214.9 million for the last twelve months ("LTM") ended March 31, 2017, representing a CAGR of approximately 44%;
- Net income improvement from a loss of $11 million in fiscal year 2014 to income of $1.2 million for the LTM ended March 31, 2017[1];
- Adjusted EBITDA growth from $(5.4) million in fiscal year 2014 to $12.6 million for the LTM ended March 31, 2017;
- Net sales growth from $52.3 million for the three months ended March 31, 2016 to $67.0 million for the three months ended March 31, 2017, representing a 28.2% growth year over year increase;
- Net income growth from a loss of $(0.3) million for the three months ended March 31, 2016 to $4.3 million for the three months ended March 31, 2017.
- Adjusted EBITDA growth from $3.8 million for the three months ended March 31, 2016 to $5.7 million for the three months ended March 31, 2017, representing a 51.0% year over year growth; and

**Net Sales ($ Millions)[1]**




## Our Industry

***Attractive Pet Industry Trends.*** In 2016, approximately 63.4 million U.S. households (52% of total U.S. households) owned a dog or a cat, compared to 57.0 million households (50% of total U.S. households) in 2008, according to Packaged Facts. Based on the 2010 Census, today more U.S. households have pets than have children. Demographic trends in pet ownership and changing attitudes toward pets support our continuing growth.

- *Pet Humanization:* According to Packaged Facts, in the United States, an estimated 79% of dog owners and 77% of cat owners view their pets as family members. With pets increasingly viewed as companions, friends

1 Our historical results benefit from insignificant income taxes due to our status as a pass-through entity for U.S. federal income tax purposes, and we anticipate future results will not be consistent as our income will be subject to U.S. federal and state taxes

2 The Company realized $16.6 million in net sales to Walmart as part of a one-time sales opportunity in 2015. These sales to Walmart did not recur in 2016. On a pro forma basis, excluding the one-time sales opportunity to Walmart, net sales grew approximately $11 million or 5.8% in 2016 as compared to 2015.

and family members, pet owners behave like “pet parents” with a strong inclination for spending disposable income to meet all of their pets’ needs during all economic cycles. Pets have become a financial priority.

- *Increasing Consumer Focus on Pet Health and Wellness:* Consumers are exhibiting greater interest in improved health for their pets and, as a result, are increasing their purchases of the most effective veterinarian-grade pet products and supplies. Pet owners of all demographic and income levels aspire to purchase leading veterinarian-grade treatments.
- *Increasing Pet Age and Incidents of Pet Disease:* Pets are living longer and, as a result, have increasing medication needs. The AVMA reports the percentage of households owning dogs aged six and older rose from 42% in 1991 to 48% in 2011, with comparable figures rising from 29% to 50% for cats. Chronic age-related pet disease is increasingly prevalent in dogs and cats. In 2016, Packaged Facts reported that 53.9% of dogs and 58.9% of cats are overweight, and in 2015, Packaged Facts reported that approximately 75% of older dogs and predisposed breeds have heart disease.

***Strong Growth in Pet Products***. According to Packaged Facts and the APPA, Americans spent $81.4 billion on pet products and services in 2016, nearly triple their 2001 spending of $28.5 billion. U.S. sales of pet medications for dogs and cats have grown from $5.8 billion in 2011 to an estimated $7.4 billion in 2016 and are estimated to reach $8.9 billion by 2019, representing a CAGR of 6% between 2016 and 2019, according to Packaged Facts. Additionally, our innovative pet treats compete in the U.S. dog and cat treat market, which has grown every year since 2010. According to Packaged Facts, the U.S. dog and cat treat market has grown to an estimated $6.1 billion in 2016 and is estimated to reach $7.3 billion of retail sales by 2019, representing a CAGR of 6% between 2016 and 2019.

***Migration of Pet Medication Purchases from the Veterinarian Channel to Retail****:* We believe the market for pet medication and health and wellness products in the retail channel is likely to outpace growth in the broader pet industry. This migration away from the veterinary channel has already begun as the estimated mass market share of the U.S. pet medication industry increased from 12% in 2011 to 21% in 2015 while the estimated veterinarian share declined from 63% in 2011 to 59% in 2015. We believe that migration will continue in the future as more consumers become aware of the significant cost savings that retail channels can deliver and our product penetration at retail increases. Historically, high veterinary clinic prices have constrained pet medication sales. Our affordable high-quality products will help unlock demand and provide cost sensitive customers the leading treatments they want at prices they can afford.

***Fairness to Pet Owners Act of 2017***. We believe that, if enacted, the FTPOA, now pending before Congress, has the potential to accelerate the migration of pet medications to the retail channel. Many pet medications cannot be purchased without a prescription signed by a veterinarian. But in most states veterinarians, unlike physicians treating humans, are not required to give pet owners a prescription that they can fill in retail pharmacies. In May 2015, the FTC published a report titled “Competition in the Pet Medications Industry,” which concluded that giving consumers prescriptions on demand would likely increase competition. The FTPOA would guarantee that pet owners would receive a copy of their pets’ prescriptions without having to ask, pay a prescription release fee or sign a liability waiver. Because a pet prescription is required to purchase many pet medications, we believe that the FTPOA, if enacted, would significantly increase retail sales of pet medications and our net sales and profits. For example, 67% of prescription heartworm medications purchased by dog owners are purchased from veterinarians, according to Packaged Facts. We believe automatic receipt of portable prescriptions will enable pet owners to fill prescription medications in the retail channel at discounts comparable to those of OTC pet medications at retail.

The enactment of the Fairness to Contact Lens Consumers Act in 2003, which requires eye care professionals to give consumers contact lens prescriptions, demonstrates the benefits of prescription access to contact lens consumers and to retailers. As a result of this statute, upon which the FTPOA was modeled, contact lens users are no longer obligated to purchase contact lenses from prescribing eye care professionals and now purchase a significant amount of contact lenses online and at retail outlets for prices far less than the prices charged by eye care professionals when they were the sole source of supply. Since 2003, the contact lens industry has more than doubled in size primarily as a result of more customers entering the market due to lower prices and previous customers replacing their lenses more often. Similarly the FTPOA, if enacted, has the potential to spark significant growth in the market for pet medications, as more pet owners will be able to afford veterinarian-grade products.

### Our Competitive Strengths

The following strengths form the foundation for our future growth:

***First Mover Advantage in the Rx and OTC Pet Medications Market in the Retail Channel.*** Founded in 2010, we pioneered and are the leading seller to the retail channel of pet products previously available for purchase primarily from veterinary clinics. The category grew significantly after we brought leading veterinary brands to the national retail sector. Being first to market has allowed us to gain significant scale and expertise, as well as complete the time consuming and costly process of obtaining the FDA and EPA registrations necessary to have Rx medications available in the retail channel. We believe that through product development, manufacturing capabilities, distribution and retail execution we have enabled retailers to enter and grow the market for high quality pet medications. We believe that our "first mover" momentum, including our established relationships with leading retailers, provides us a significant competitive advantage that will allow us to grow with our world-class retail pharmacy partners.

***Focus on High Growth Pet Medication Category.*** Packaged Facts predicts that pet medications will remain one of the highest growth areas in the pet industry. We believe that significant future growth will be a result of leading U.S. pharmacies adding pet medications and aggressively competing for a larger share of the Rx pet medication market. For human pharmacies Rx pet medication is an attractive high-margin, cash-based business with no delayed insurance reimbursement, no co-payers, and no government formularies or pricing policies.

***Broad Product Portfolio of Highly Recognized Brands.*** Our broad proprietary product portfolio consists of eleven primary brands: *PetIQ, PetAction, Advecta, PetLock, Heart Shield, TruProfen, Betsy Farms, Minties, Vera, Delightibles* and *VetIQ*. We believe our brands are comparable in quality and safety to leading third-party brands, as they contain the same active ingredients and are subject to the same FDA and EPA approval process. Our brands are highly recognizable and supported by targeted marketing campaigns and in-store merchandising. We also provide our retailers with numerous well-known third-party pet medication brands, such as *Frontline® Plus* and *Heartgard® Plus*. By offering a broad product portfolio, we offer retailers a "one-stop shop," complete category management solution for pet Rx and OTC medications and health and wellness products.

***Veterinarian-Grade Products at Compelling Value.*** Our veterinarian-grade products at value prices offer consumers increased choice, affordability and convenience. Because of the breadth of our portfolio and distribution, consumers now have access to a wider array of premium quality pet products and can realize typical savings of 20% to 30% on distributed products and approximately 50% on our proprietary value-branded products compared to the prices charged by veterinarians. We believe many pet owners will convert to our value-branded products as they become aware of the significant savings and convenience available at their preferred neighborhood pharmacy or retail store. We support the efforts of retail partners in capturing a larger share of the estimated $8.4 billion addressable market of pet medications and health and wellness products previously available exclusively through the veterinary channel.

***Strong Relationships with Leading Retailers.*** We have the necessary scale and operational expertise to support our retail partners, which include Walmart, Sam's Club, Costco, PetSmart, Petco, Target, Chewy.com and Amazon. Before partnering with us, these and other retailers had limited access to veterinarian-grade pet medication and health and wellness products, resulting in veterinarians serving as the primary channel for the category. In addition to our portfolio of leading products, we also provide excellent retail fulfillment and merchandising services, high fill rates, on-time deliveries and same-day or next-day service. Through a strategic alliance with Anda, a national pharmacy distributor, we provided more than 40,000 U.S. pharmacy locations with 24-hour fulfillment and exclusive access to leading Rx pet medications, which limits pharmacies' inventory costs and increases customer service levels. In addition, in 2014 Sam's Club recognized us as its "Supplier of the Year" in the consumable products category, an award that is given to only one supplier per category per year. Similarly, Petco recognized us as "Supplier of the Year" in 2015.

***Rapid and Innovative Product Development Capabilities.*** We have a sophisticated product team with expertise in market analysis, product development, packaging, marketing and industry regulations. These cross-functional skills provide us with ongoing competitive advantages and have resulted in the development of our most successful products and brands, including *VetIQ*, *PetLock*, *PetAction Advecta* and *TruProfen*. Given our track record of successfully launching new products, we have become an attractive commercial partner for leading development companies and outside R&D scientists and entrepreneurs from around the world. *PetAction* is an example of a flea and tick product that leveraged our internal expertise and third-party relationships, resulting in enhanced margins for us and retailers and lower prices for our consumers.

***Well-Invested and Scalable Operations.*** Since 2012, we have invested $19 million in expanding our infrastructure. We have the facilities, supply-chain management expertise and IT systems infrastructure in place to scale operations with relatively low capital expenditures. In our Springville, Utah manufacturing facility we invested in the necessary improvements to obtain quality and safety certifications, including GFSI and an "excellent" SQF certification. These certificates of distinction validate that our manufacturing quality is at the highest level in the industry and illustrates our competitive advantage against manufacturers that have not made similar investments. We operate approximately 400,000 square feet of manufacturing and distribution facilities in three locations in Florida, Utah and Texas. We opened two manufacturing facilities in 2014 to prepare for significant growth, and these facilities currently operate at less than 50% of their full-production capacities. These facilities will require minimal investment to achieve full capacity and can support significant future growth. In 2014, we successfully implemented X3, a Sage ERP system that serves as a foundation for operating our business. We are licensed to operate and distribute veterinary prescription drugs in all 50 states, which gives us a significant competitive advantage.

***Passionate Management Team with a Proven Track Record.*** Our passionate management team has a proven track record of managing fast-growing consumer companies and significant retail industry experience. Our executives have relevant prior experiences at industry-leading firms such as Albertson's, Walmart, Bayer Animal Health and Piramal Pharmaceuticals. Our Chairman and Chief Executive Officer, Cord Christensen, and our President, Scott Adcock, are the co-founders of PetIQ and have overseen our growth from $32 million of net sales in 2011 to $200 million in 2016. Following the closing of the offering, our management team will beneficially own % of the Class A common stock of the Company. We believe the experience and commitment of our management team positions us to continue to deliver profitable and sustainable future growth opportunities.

## Our Strategy

There are significant opportunities to grow our brand awareness, increase our net sales and profitability and deliver shareholder value by executing on the following initiatives:

***Grow Consumer Awareness of Our Products in the Retail Channel.*** We are an established category creator in the pet health and wellness and medication market with strong penetration of the retail channel and high awareness among retailers. With our broad retail network that includes the top U.S. retailers, we are increasingly focused on building consumer awareness and converting more pet owners to use our products. As pet owners learn that our proprietary value-branded products offer the same active ingredients as leading brands at lower prices, we believe they will shift their purchasing habits to our products and our share of the overall pet Rx and OTC medications and health and wellness products market will continue to grow.

***Deliver Innovation in Pet Health and Wellness at a Great Consumer Value.*** We have a proven track record of introducing innovative products to the pet health and wellness category. For example, we have introduced over 40 new proprietary value-branded products since 2014, including *PetAction Plus, Advecta 3* and *VetIQ* prescription medications and *Delightibles Wild Country Meats and Treats, Piglies, Betsy Farms Grillers and Creamy Crunchy Treats, VERA Premium Jerky, Great Choice Center Filled Cat Treats* and *PETIQ Premium Jerky* pet treats. We expect to drive net sales growth by continuing to develop and commercialize new products. We plan to introduce new and improved products across all of our categories over the next few years and will selectively enter relevant adjacent product categories to continue providing our retail customers access to the Rx and OTC medications and other health and wellness products they want most. We intend to continue to rapidly develop and market products that incorporate innovative ingredients, advanced formulations, improved taste and enhanced functionality that differentiate us in the pet health and wellness market. These efforts include the formulation of proprietary value-branded versions of off-patent branded products as well as the refinement of existing products to make packaging and formulations more appealing and convenient for consumers and their pets. In addition, we may seek acquisitions or strategic partnerships with companies that can help us expand our product offering and achieve our growth plan.

***Expand Strong Partnerships with Leading Retailers and Pharmacies.*** Pet medications and health and wellness are significant growth opportunities for our retail partners. In addition to helping retailers overcome a lack of access to leading items and brands, we have provided our customers unique merchandising solutions, created marketing and promotional programs that highlight the availability of veterinarian-grade pet medications through the retail channel and the related savings to pet owners and provided 24-hour fulfillment of Rx pet medications to pharmacies. We will remain focused on driving success through the retail channel and the e-commerce platforms of our retail partners.

***Increase Number of Products with Existing Retailers.*** We conduct business with the majority of leading retailers with our core product offerings. We believe our net sales will continue to grow as we expand the number of products we have available for sale at each retailer. We also plan to creatively expand SKU placement within existing accounts through our in-house merchandising capabilities. Additionally, with the potential enactment of the FTPOA, we believe we are positioned to expand our presence and shelf space in the retail pharmacy channel with leading retailers. These leading retail pharmacies in addition to a large number of independent pharmacies, could become a significant source of growth for our product categories.

***Enhance Margins.*** We expect that our margins will increase as our product mix continues to evolve and include a greater portion of our proprietary value-branded products. Additionally, as net sales increase, we will realize the benefits of leveraging our existing assets and facilities and share efficiency gains with our sourcing and manufacturing partners further driving margin improvement. We believe that, except for the expenses normally associated with being a public company, we will not have material increases in our selling and general administrative expenses as we pursue our growth plans because of our recent substantial investments in our corporate infrastructure.

## Our History

PetIQ, Inc., a Delaware corporation, was incorporated in February 2016 for the purpose of this offering and has had no business activities or transactions to date. PetIQ is a holding company and the sole managing member of True Science Delaware Holdings, LLC, a Delaware limited liability company, which was formed in May 2012 and renamed PetIQ Holdings, LLC in February 2016 to better reflect our pet-centric business. HoldCo is the sole member of PetIQ, LLC, an Idaho limited liability company and our predecessor for financial reporting purposes, and has no operations and no assets other than the equity interests of OpCo. Our principal executive office is located at 500 E. Shore Dr., Suite 120, Eagle, ID 83616, and our telephone number is 1-208-939-8900. Our corporate website address is www.petiq.com. We do not incorporate the information on or accessible through any of our websites into this prospectus, and you should not consider any information on, or that can be accessed through, our websites as part of this prospectus.

## Our Products

We are a manufacturer and distributor of pet medication and health and wellness products to the retail channel. We focus our product offerings on innovative, proprietary value-branded products and leading third-party branded products for dogs and cats, including pet Rx and OTC medications and wellness products. We offer and supply these products to customers primarily in the United States.

### *Rx Medications*

Our Rx pet medications include heartworm preventatives, arthritis, thyroid, diabetes and pain treatments, antibiotics and other specialty medications, all of which require a prescription from a veterinarian. We co-develop and manufacture our own proprietary value-branded products and distribute well-known leading third-party branded medications. Rx medications accounted for approximately 12% and 14% of our net sales in the first quarter of 2017 and fiscal 2016, respectively.

Our proprietary value-branded Rx medications allow consumers to care for their pets with the same quality of branded prescription Rx at a much lower cost, with savings of up to 50% compared to leading brands. Currently, we manufacture *Heart Shield Plus*, our proprietary value-branded version of *Heartgard® Plus*, which prevents heartworm infection in dogs. We also manufacture *TruProfen*, our proprietary value-branded version of *Rimadyl®*, which treats arthritis in dogs. We plan to develop, and bring to retail customers, proprietary value-branded versions of other popular pet Rx medications currently available only in branded versions at premium prices.

We also sell to the retail channel more than 240 SKUs of the most popular pet Rx medications that previously had been available primarily through the veterinarian channel. These retailers then sell these pet Rx medications to pet owners who have a prescription. We source these pet Rx medications directly from manufacturers or through licensed distributors. Several of the top-selling Rx medications that we distribute include *Rimadyl®*; *Heartgard® Plus* and *Vetmedin®*.

***OTC Medications and Supplies***

Our OTC medications primarily include flea and tick control products, which are available in multiple forms, such as spot on (topical) treatments, chewables and collars. OTC medications accounted for approximately 66% and 63% of our net sales in the first quarter of 2017 and fiscal 2016, respectively.

We sell to the retail channel our proprietary value-branded versions of popular branded OTC medications, including *PetAction Plus* and *PetLock Plus* (each comparable to *Frontline® Plus*). When compared against branded OTC medication, including *Frontline® Plus* by Merial, Inc., offered in both the retail and veterinarian channels, our proprietary value-branded pet medications with the same active ingredients to consumers at typically 30% to 50% savings. The retailer determines the actual discount. We plan to expand our presence in this category by developing and manufacturing new proprietary value-branded OTC medications in multiple forms, including related derivative products, using the same active ingredients in leading brands.

We also sell to the retail channel more than 110 SKUs of the most popular leading OTC-branded medications consisting primarily of flea and tick control medications. We source OTC medications directly from manufacturers or through licensed distributors.

***Health and Wellness Products***

Our health and wellness products include specialty treats and other pet products such as dental treats and nutritional supplements (including hip and joint, vitamins and skin and coat products). We manufacture and distribute more than 219 SKUs of proprietary wellness products for dogs and cats, mainly under our *VetIQ*, *Betsy Farms* and *Delightibles* product lines. Our wellness products accounted for approximately 22% and 22% of our net sales in the first quarter of 2017 and fiscal 2016, respectively.

Our products include dental treats, such as *Minties* dental treats; nutritional supplements, such as our *VetIQ* products, skin and coat chews, vitamin chews and treats that disguise pill medication to aid in pets' pill ingestion; and treats, such as our *Betsy Farms* dog treats and *Delightibles* cat treats.

## Product Innovation

We offer a broad portfolio of pet medications and health and wellness products to our retail customers, including an array of products that we develop, manufacture and distribute. To continue to grow our pet Rx medication, OTC medications and other health and wellness product offerings, we invest in research and development on an ongoing basis. We use a combination of in-house specialists, third-party consultants and animal health R&D experts to expand our proprietary value-branded portfolio and develop next-generation versions of our current pet products.

In addition, we have leveraged our market position to emerge as an attractive partner for outside R&D scientists and entrepreneurs developing new products and technologies in the strategic pet health and wellness field. We believe these scientists and entrepreneurs seek out our partnership on innovative products given our experience in proprietary value-branded manufacturing and relationships with key retail channel contacts. Our process of assessing partnerships with any outside R&D opportunity includes performing our own internal R&D review, testing and quality control procedures.

Over the last two years, we have introduced numerous new products comprising 174 SKUs.

## Channels

Traditional industry sales channels for pet Rx medications, OTC medications and other health and wellness products include sales through the veterinarian, retail and e-commerce channels, depending primarily on the product involved.

Historically, pet Rx and flea and tick medications have been sold through veterinarian offices and, to a much lesser extent, e-commerce. We have focused on making these products, as well as our proprietary value-branded products, available directly to consumers through retail outlets, which offer consumers access to these products at lower prices and in more convenient locations. Our retail channel sales are primarily concentrated in four sub-channels of retail: (i) food, drug and mass market sales (*e.g.*, Walmart, Target and Kroger); (ii) club stores (*e.g.*, Sam's Club, Costco

Wholesale and BJ's Wholesale Club); (iii) pet specialty stores (*e.g.*, PetSmart, Petco and independent pet stores); and (iv) independent pharmacies. We believe we are a key participant in the migration of pet medication products to the retail channel. In 2015, estimated sales of pet medication through the retail channel accounted for 21% of all sales.

### Possible Business Initiatives

We are considering new ways to expand our retail sales. For example, we are considering investing in a trial program adding pet health and wellness clinics in or near retail locations we already supply, aimed to increase demand for our veterinarian-grade products and prescriptions supplied to our retail partners and improve consumer access to affordable pet health and wellness services.

### Fairness to Pet Owners Act of 2017

We believe that, if enacted, the FTPOA, now pending before Congress, has the potential to accelerate the migration of pet medications to the retail channel. Many pet medications cannot be purchased without a prescription signed by a veterinarian. But in most states veterinarians, unlike physicians treating humans, are not required to give pet owners a prescription that they can fill in retail pharmacies. In May 2015, the FTC published a report titled "Competition in the Pet Medications Industry," which concluded that giving consumers prescriptions on demand would likely increase competition. The FTPOA would guarantee that pet owners would receive a copy of their pets' prescriptions without having to ask, pay a prescription release fee or sign a liability waiver. Because a pet prescription is required to purchase many pet medications, we believe that the FTPOA, if enacted, would significantly increase retail sales of pet medications and our net sales and profits. For example, 67% of prescription heartworm medications purchased by dog owners are purchased from veterinarians, according to Packaged Facts. We believe automatic receipt of portable prescriptions will enable pet owners to fill prescription medications in the retail channel at discounts comparable to those of OTC pet medications at retail.

The enactment of the Fairness to Contact Lens Consumers Act in 2003, which requires eye care professionals to give consumers contact lens prescriptions, demonstrates the benefits of prescription access to contact lens consumers and to retailers. As a result of this statute, upon which the FTPOA was modeled, contact lens users are no longer obligated to purchase contact lenses from prescribing eye care professionals and now purchase a significant amount of contact lenses online and at retail outlets for prices far less than the prices charged by eye care professionals when they were the sole source of supply. Since 2003, the contact lens industry has more than doubled in size primarily as a result of more customers entering the market due to lower prices and previous customers replacing their lenses more often. Similarly the FTPOA, if enacted, has the potential to spark significant growth in the market for pet medications, as more pet owners will be able to afford veterinarian-grade products.

### Customers

As of March 31, 2017, we served approximately 44 retail customers and more than 21,000 customer locations, located primarily in the United States and Canada. Approximately 98% of our first quarter 2017 and fiscal 2016 net sales were generated from customers located in the United States and Canada, with the remaining 2% from foreign locations during each period. Our customers are primarily national superstore chains and national pet superstore chains, such as Walmart, Sam's Club, Costco, PetSmart, Petco, Kroger, Target and BJ's Wholesale Club. We supply each of these customers on a national basis. Our largest retail customers are Walmart and Sam's Club, which represented 28% and 19%, respectively of our net sales in the first quarter of 2017 and 33% and 21%, respectively, of our net sales in 2016. In addition, Anda, which distributes our products to pharmacies, accounted for 12% and 15% of our net sales in the first quarter of 2017 and fiscal 2016, respectively. Anda purchases products from us only when it receives orders from its retail customers for such products. No other customer accounted for more than 10% of our net sales in 2016.

At each of our top customers, we sell to several individual departments represented by different buying groups, such as pharmacy, treats and pet supplies.

Additionally, we develop strong and lasting relationships with our pharmacy customers by leveraging our product breadth and expertise, superb customer care and support. Pharmacy customers have a higher barrier to entry than other retail customers as they are a highly regulated segment of the retail channel. We believe that, because of such

regulation, our pharmacy customers appreciate our focus on integrating our systems with theirs, including interfacing delivery schedules and traceability, which is a key requirement for any major pharmacy retailer. In addition, we try to continually strengthen our pharmacy relationships by providing a variety of value-added services to the pharmacies. These services may include computer programs, training opportunities and web-based customer support.

Finally, we believe that our level of customer care is critical in retaining and expanding our relationships with our key customers. Our in-house customer care representatives participate in ongoing training programs under the supervision of our training managers. These training sessions include a variety of topics such as product knowledge, computer usage and customer service tips. Our customer care representatives promptly respond to customer inquiries related to products, order status, prices and shipping. We believe that our customer care representatives are a valuable source of feedback regarding customer satisfaction.

## Supply Chain

### *Proprietary Value-Branded Products*

None of our suppliers for proprietary value-branded products are individually significant. Our proprietary value-branded products are currently manufactured by us at our facilities in Daytona Beach, Florida and Springville, Utah and through a network of manufacturing facilities owned and operated by contract manufacturing partners across the U.S. and in Europe. We expect that the combined capacities of our facilities and those of our contract manufacturing partners will meet our forecasted needs for our proprietary value-branded products for the foreseeable future.

### *Distributed Products*

We purchase branded and other products that we distribute, but do not manufacture, from a variety of sources in the U.S., including certain manufacturers and licensed distributors. We believe that having strong relationships with our suppliers will ensure the availability of an adequate volume of products ordered by our retail customers and will enable us to provide more and better product information.

### *Fulfillment, Warehousing and Shipping*

To accomplish efficient fulfillment for our Rx medication products across the U.S., we utilize our established medication distribution channels with our distribution partner, Anda. We have entered into a five-year contract with Anda, which automatically renews every two years.

For our products sold into local and regional pet specialty retailers, we work with our distribution partner Phillips, one of the largest distributors to independent pet stores in the country. Phillips buys our products directly and resells them to independent pet specialty retailers.

For our other products, our in-house fulfillment and distribution operations manage the entire supply chain, beginning with the placement of the order, continuing through order processing and then fulfilling and shipping of the product to the customer. All customer orders are processed by our customer service team. We inventory our products at, and fill most customer orders from, our distribution centers in Daytona Beach, Florida and Springville, Utah. We also use a third-party warehouse provider to fulfill a small amount of our orders. We ship our products using common carriers.

## Product Quality and Safety

We believe that product safety and quality are critical. We have developed, implemented and enforced a robust product safety and quality program. We have established critical control points throughout the entire supply chain from ingredient sourcing to finished goods to ensure compliance with our quality program.

The food safety program at our Utah plant, where our pet treats are made, is certified at Safe Quality Food Level II under the Global Food Safety Initiative Benchmarks. To achieve this qualification level, our Utah facility has been built to comply with particular food safety specifications and allows for correct airflow to prevent cross-contamination, among other things. This qualification level also requires us to have certain standard operating procedures in place written to Safe Quality Food code specifications, hold regular training seminars for manufacturing employees and maintain reporting documentation evidencing compliance with such standard operating procedures.

In addition, our safety and quality program includes strict guidelines for incoming ingredients, batching, processing, packaging and finished goods. As part of our focus on safety and quality, we have implemented batch and lot traceability controls across our manufacturing network, including at our manufacturing facilities, where such controls have been implemented into our enterprise resource planning system. These controls allow us to track and tie discreet, inbound raw material components through the manufacturing process to the ultimate finished product, allowing us to maintain and control all finished product lot details and quickly access process manufacturing details.

At the Florida facility where our Rx and OTC medications are packaged, we maintain a veterinary prescription drug wholesale distributor license with the State of Florida Department of Business and Professional Regulation, which is the same government entity that regulates distribution facilities for human medications. In connection with our maintenance of this license, the State of Florida inspects our facility on a monthly basis. To pass these inspections, we must demonstrate safety compliance at the highest standard, including maintaining correct plant temperatures and a controlled environment.

As described above, we use contract manufacturers to produce certain of our proprietary value-branded products. To ensure product quality, consistency and safety standards, we actively monitor each contract manufacturer's operations through the standard operating procedures and facility audits described above.

All of our contract manufacturing facilities are required to have quality control standard operating procedures in place. We require our contract manufacturing facilities to maintain third-party certifications and pass our own quality system and safety audits, and for FDA-regulated products, to comply with the Good Manufacturing Practices of the FDA. Third-party certifications provide an independent and external assessment that a product and/or process complies with applicable safety regulations and standards, though a regulatory authority may disagree with that assessment. In addition, our quality control team conducts reviews of all aspects of our supply chain to ensure that ingredients, finished goods and manufacturing processes meet our strict safety and quality requirements and that all of our ingredients are rigorously tested prior to being used in our products.

Any consumer may call our customer service line, where we have trained representatives on staff. Any call reporting an adverse event relating to our products is further addressed by our vendor, SafetyCall, through its own on-site veterinarians. On a quarterly basis, we submit filings in accordance with the EPA specifications reporting any adverse event associated with our flea and tick products.

### Marketing and Advertising

Our marketing strategy largely focuses on educating pet owners about our products. We use a combination of television, advertising, digital platforms, in-store displays and in-store promotions. In our advertising, we introduce pet owners to the quality and cost-savings that our products afford: namely, our proprietary value-branded products that contain the same active ingredients as their leading branded counterparts at an affordable price. In addition, we coordinate with our retail customers to install in-store displays that increase the visibility of our products. Our marketing team also works alongside our retail customers to organize promotional events. These promotional events include discount programs whereby consumers receive discounts on our products and storefront displays that highlight our brands and products for certain periods of time. From time to time, we also work with our retail customers to distribute samples to consumers in order to introduce them to the value of our products.

### Competition

The pet medication and health and wellness industry is highly competitive. We compete on the basis of product quality, product availability, quality, palatability, brand awareness, loyalty and trust, product variety and ingredients, product packaging and design, shelf space, reputation, price point and promotional efforts. We compete directly and indirectly with both manufacturers and distributors of pet medication and health and wellness products and online distributors, as well as with veterinarians. We directly face competition from companies that distribute various pet medications and pet health and wellness products to traditional retailers such as Perrigo, Unicharm Company and Central Garden and Pet Company, all of which are larger than we are and have greater financial resources. We also face competition in our other pet health and wellness products category from companies such as Nestlé, Mars, Perrigo and Smucker, all of which are larger than we are and have greater financial resources.

Our retail customers compete with online retailers and veterinarians for the sale of Rx and OTC pet medications and other health and wellness products. Many pet owners may prefer the convenience of purchasing their pet medications or other health products during a veterinarian visit. In order to effectively compete with veterinarians, we and retail partners must continue to educate pet owners about the product availability, service and savings offered by purchasing pet medications and other health products in their retail stores.

### Employees

As of March 31, 2017, we had 202 employees. Our employees are not represented by any labor union or any collective bargaining arrangement with respect to their employment with us. We have never experienced any work stoppages or strikes as a result of labor disputes. We believe that our employee relations are good.

### Seasonality

While most of our products are sold consistently throughout the year, we do experience seasonality in the form of increased demand for our flea and tick product offerings in the first half of the year, both leading up to and throughout the spring and summer seasons.

### Properties

The following table sets forth the location, size, use and lease expiration date of our key properties as of March 31, 2017. All of our properties are leased. The leases expire at various times through 2019, subject to renewal options.

| LOCATION | APPROXIMATE SIZE | PRINCIPAL USE(S) | LEASE EXPIRATION DATE |
|---|---|---|---|
| Daytona Beach, Florida | 142,900 square feet | Manufacturing and distribution warehouse; office | November 30, 2019 |
| Eagle, Idaho | 8,300 square feet | Corporate headquarters | April 30, 2018 |
| Springville, Utah | 242,000 square feet | Manufacturing and distribution warehouse; office | January 31, 2019 |

### Our Trademarks and Other Intellectual Property

We believe that our intellectual property has substantial value and has contributed significantly to the success of our business. Our primary trademarks include "*PetIQ*," "*PetAction*," "*Advecta*," "*PetLock*," "*Heart Shield*," "*TruProfen*," "*Betsy Farms,*" "*Minties*," "*Vera*," "*Delightibles*" and "*VetIQ,*" all of which are registered with the U.S. Patent and Trademark Office. We also have numerous other trademark registrations and pending applications, in the U.S., Canada and Europe, for product names that are central to our branding. Our trademarks are valuable assets that reinforce our brand, our sub-brands and our consumers' favorable perception of our products. The current registrations of these trademarks in the U.S. and foreign countries are effective for varying periods of time and may be renewed periodically, provided that we, as the registered owner, or our licensees where applicable, comply with all applicable renewal requirements including, where necessary, the continued use of the trademarks in connection with the goods or services identified in the applicable registrations. In addition to trademark protection, we own numerous URL designations, including www.vetiq.com, www.advecta.com, www.delightibles.com and www.mintiestreats.com, that are important to the successful implementation of our marketing and advertising strategy. We also have patents and pending patent applications for products, formulas and packaging that we consider important to our business. We rely on and carefully protect unpatented proprietary expertise, recipes and formulations, continuing innovation and other trade secrets to develop and maintain our competitive position.

### Information Systems

We employ a comprehensive enterprise resource planning software system provided and supported by a leading global software partner. This system covers, among others, order entry, order management, product tracking, accounts payable, accounts receivable, purchasing, asset management, manufacturing and back-office processes.

From time to time, we enhance and complement the system with additional software. We back up data every night and store a copy locally for restoration if needed. We believe our systems infrastructure is scalable and can support our expected future growth.

### Government Regulation

Along with our contract manufacturers, ingredient and packaging suppliers and third-party shipping providers, we are subject to a broad range of laws and regulations, both in the U.S. and elsewhere, intended to protect public health and safety, natural resources and the environment. Our operations in the U.S. are subject to regulation by the FDA, the EPA, the Florida Department of Health and the USDA and by various other federal, state, local and foreign authorities regarding the manufacturing, processing, packaging, storage, distribution, advertising, labeling and export of our products, including drug and food safety standards.

All Rx animal drugs are required to be approved by the FDA through either a New Animal Drug Application or, in the case of generic Rx animal drugs, an Abbreviated New Animal Drug Application ("ANADA"). Two of our proprietary value-branded products, *TruProfen* and *Heart Shield Plus*, have been approved by the FDA under ANADAs submitted to the FDA by third parties. We have agreements with these third parties that hold approved ANADAs to private label or proprietary value-branded products under such ANADAs, However, the third parties that hold the ANADAs are ultimately responsible for compliance with regulatory obligations associated with these products.

In addition, our foreign subsidiary is subject to the laws of the United Kingdom, the Republic of Ireland and the European Union, as well as provincial and local regulations.

Under various statutes and regulations, these agencies and authorities, among other things, (i) prescribe the requirements and establish the standards for quality and safety, (ii) regulate our marketing, advertising and sales to consumers and (iii) control the importing and exporting of our products. Certain of these agencies, in certain circumstances, must not only approve our products, but also review the manufacturing processes and facilities used to produce these products before they can be marketed in the United States and elsewhere. In particular, certain of our pet medication products require FDA approval prior to marketing. To market such an FDA-regulated pet medicine, the FDA must approve a new animal drug application, or NADA, supported by data from animal safety and effectiveness studies that adequately demonstrate the safety and efficacy of that product in the target animal for the intended indication; or, in the case of generic versions of previously approved reference-listed pet medicines, the FDA must approve an abbreviated new animal drug application, or ANADA, supported by data to demonstrate, among other things, that the proposed generic product has the same active ingredients in the same concentration as the reference-listed product and is bioequivalent to the reference listed product. After approval, manufacturers are required to collect reports of adverse events and submit them on a regular basis to the FDA. Some of the products we distribute are marketed pursuant to approved ANADAs held by third parties with whom we contract to distribute those ANADA-approved products under our own label.

We are subject to labor and employment laws, safety and health regulations and other laws, including those promulgated by the EPA and the National Labor Relations Board. Our operations, and those of our contract manufacturers, ingredient and packaging suppliers and third-party shipping providers, are subject to various laws and regulations relating to worker health and safety matters as well as environmental and natural resource protection, including the availability and use of pesticides, emissions and discharges to the environment, and the treatment, handling, storage and disposal of materials and wastes. We monitor changes in these laws and believe that we are in material compliance with applicable laws and regulations. No assurance can be given, however, that material costs and liabilities will not arise in the future, such as due to a change in the law or the discovery of currently unknown conditions.

### Legal Proceedings

We are from time to time subject to litigation and other proceedings that arise in the ordinary course of our business. Subject to the inherent uncertainties of litigation and although no assurances are possible, we believe that there are no pending lawsuits or claims that, individually or in the aggregate, will have a material adverse effect on our business, financial condition or our yearly results of operations.

In May 2017, Bayer Healthcare LLC and its affiliates (collectively “Bayer”) filed suit in the United States District Court for the District of Delaware, against CAP IM Supply, Inc. (“CAP IM”), our supplier of Advecta 3 and PetLock MAX, which we began to sell in 2017 as our value-branded alternatives to Bayer’s K9 Advantix II. Bayer alleges that Advecta 3 and PetLock MAX infringe a patent relating to K9 Advantix II. Bayer seeks unspecified monetary damages and an injunction against future sales by CAP IM of Advecta 3 and PetLock MAX to the Company. Although we have not been named in the suit, our license and supply agreement with CAP IM requires us to share with CAP IM the payment of defense and settlement costs of such litigation and allows us to control the defense of the proceeding. CAP IM intends to vigorously defend this case and we believe that CAP IM has meritorious defenses. However, because of the inherent uncertainties of litigation, we can provide no assurance of an outcome favorable to CAP IM and to us.

## MANAGEMENT

### Executive Officers and Directors

The following table provides information with respect to our directors and executive officers as of June 23, 2017:

| NAME | AGE | POSITION |
|---|---|---|
| McCord Christensen | 45 | Chief Executive Officer and Chairman of the Board of Directors |
| John Newland | 53 | Chief Financial Officer and Corporate Secretary |
| Scott Adcock | 49 | President and Director |
| Mark First | 52 | Lead Independent Director |
| Gary Michael | 76 | Director |
| James Clarke | 44 | Director |
| Ronald Kennedy | 70 | Director |

*McCord Christensen*. Mr. Christensen co-founded PetIQ in 2010 and has served as our Chief Executive Officer since our inception and is a member of our board of directors. In 2015, Mr. Christensen was named Chairman of our board of directors. In addition to his leadership responsibilities as Chairman and CEO, Mr. Christensen's expertise in retail and consumer products has enabled PetIQ to deliver targeted and well-executed commercial programs and products across the retail industry. Prior to founding PetIQ, Mr. Christensen gained extensive retail and management experience working at Albertson's and as an executive in consumer product companies selling to leading U.S. retailers. Mr. Christensen filed for personal bankruptcy in 2010 as the result of personal guarantees of real estate investments made prior to the 2008 recession and civil claims of $6.7 million made against him by the bankruptcy trustee for companies affiliated with Thomas Petters. Mr. Christensen worked for and invested in these companies before becoming aware of the fraudulent activities that resulted in Mr. Petters' conviction. Mr. Christensen was discharged of all such claims in 2011. We believe Mr. Christensen's qualifications to serve as a director of our Company include his experience in the consumer and retail industries, his expertise in corporate strategy and development and his demonstrated business acumen. Mr. Christensen holds a Bachelor of Science in Finance from Boise State University.

*John Newland*. Mr. Newland has served as our Chief Financial Officer since 2014 and as our Corporate Secretary since 2015. Since joining PetIQ, Mr. Newland facilitated the move from a regional auditor to KPMG, implemented enhanced control systems and standards across the company and upgraded our finance and operations organizations. Prior to joining PetIQ, Mr. Newland gained extensive retail and consumer products experience working for Albertson's and SuperValu in a range of finance roles. Mr. Newland is a retired fighter pilot and Commander in the Idaho Air National Guard, where he served from 1985 to 2013. Mr. Newland holds a Bachelor of Science degree in corporate finance from the University of Idaho and is a graduate of the United States Air Force Air War College.

*Scott Adcock*. Mr. Adcock co-founded PetIQ in 2010 and serves as our President and as a member of our board of directors. In addition to his leadership responsibilities as President, on a day-to-day basis Mr. Adcock is responsible for all product development and company branding, packaging design, website development, in-store merchandising, advertising, social media and marketing campaigns. Prior to founding PetIQ, Mr. Adcock served in executive positions for companies associated with Jack W. Nicklaus, including as the Chief Executive Officer of Nicklaus Golf Centers, LLC. We believe Mr. Adcock's qualifications to serve as a director of our Company include his experience in brand management, product development and marketing, his expertise in corporate strategy and development and his demonstrated business acumen. Mr. Adcock holds a Bachelor of Science from Brigham Young University.

*Mark First*. Mr. First has served as the lead independent director of the Company since 2015. Mr. First is a Managing Director of Eos Management, L.P., an affiliate of Eos Capital Partners IV, L.P. and Eos Partners, L.P. (the "Eos Funds"), where he has been employed since March 1994. Mr. First was previously an investment banker with Morgan Stanley & Co. Incorporated from August 1991 until March 1994. Mr. First is a director of several privately owned companies, and he also has also been a director of Addus HomeCare, Inc. since 2009. We believe Mr. First's

qualifications to serve as a director of our Company include his experience in business, corporate strategy and investment matters. Mr. First holds a Bachelor of Science from The Wharton School of the University of Pennsylvania and a Master of Business Administration from Harvard Business School.

*Gary Michael*. Mr. Michael served as the Chairman of the Board and Chief Executive Officer of Albertson's Inc. from 1991 to 2001. Mr. Michael served as the Chairman of The Federal Reserve Bank of San Francisco from 1997 to 2000 and as a Director from 1994 to 2000. Mr. Michael currently serves on the boards of Bodega Latina Corp., Northwest Bank, Western Capital Corp. and the JA and Kathryn Albertson Family Foundation. In addition, Mr. Michael currently serves as the Commissioner of the Idaho Lottery and the Idaho State Treasurer's Investment Review Committee. Mr. Michael previously was on the boards of The Clorox Company, Questar, Inc., Boise Cascade Corp., Office Max, Inc., Caesars Entertainment, Graham Packaging, Inc., Idaho Power Company and Idacorp. We believe Mr. Michael's qualifications to serve on our board include his experience in the retail and consumer industries, his demonstrated business acumen and his experience on other public company boards of directors. Mr. Michael holds a Bachelor of Science in Accounting from the University of Idaho. He also was the President of the University of Idaho from 2003 to 2004.

*James Clarke.* Mr. Clarke served as our Chairman from 2011 to 2016. Mr. Clarke is Chief Executive Officer and Managing Partner of Clarke Capital Partners, a growth equity and alternatives-focused family office, where he has served since 2011. Mr. Clarke is a director of several privately owned companies and non-profit organizations. Mr. Clarke is a Governor appointed Trustee and Foundation Chair at Utah Valley University and also Chairs the board of Curza Global, a small-molecule drug development company focused on infectious diseases and oncology. We believe Mr. Clarke's qualifications to serve as a director of our Company include his experience in business, corporate strategy and investment matters. Mr. Clarke is an alumnus of Brigham Young University and holds a Master of Management from the University of Oxford.

*Ronald Kennedy*. Mr. Kennedy has served as a director of the Company since 2010. Mr. Kennedy is the owner of the investment firm Kennedy Ventures. Mr. Kennedy was a founder of Western Benefit Solutions, an employee benefits consulting firm, which he sold in 2010. He was a board member of Ameriben, Inc., a human resource consulting and benefits administration service company. We believe Mr. Kennedy's qualifications to serve as a director of our Company include his experience in business, corporate strategy and investment matters. Mr. Kennedy holds a Bachelor of Science in Business Administration from Brigham Young University and a Master of Business Administration from Arizona State University.

### Board Composition

As of the completion of this offering, the number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and bylaws. As of the completion of this offering, our board of directors will consist of seven directors, five of whom will be "independent" under the applicable NASDAQ listing standards.

As of the completion of this offering, our amended and restated certificate of incorporation and bylaws will provide for the division of our board of directors into three classes, as nearly equal in number as possible, with the directors in each class serving for a three-year term, as follows:

- Our Class I directors will be Messrs. Kennedy and Clarke, and their terms will expire at the annual meeting of stockholders to be held in 2018.
- Our Class II directors will be Messrs. Adcock and First, and their terms will expire at the annual meeting of stockholders to be held in 2019.
- Our Class III directors will be Messrs. Christensen and Michael, and their terms will expire at the annual meeting of stockholders to be held in 2020.

Upon expiration of the term of a class of directors, directors for that class will be elected for three-year terms at the annual meeting of stockholders in the year in which that term expires. Each director's term continues until the election and qualification of his or her successor or his or her earlier death, resignation or removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each

class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our Company. When considering whether directors and nominees have the experience, qualifications, attributes or skills, taken as a whole, to enable our board of directors to satisfy its oversight responsibilities effectively in light of our business and structure, the board of directors focuses primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies set forth above. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of our business.

### Director Independence

As of the completion of this offering, our Class A common stock will be listed on the NASDAQ Global Market. Under the rules of the NASDAQ Global Market directors must comprise a majority of our board of directors within a specified period of time following the completion of this offering. Under the listing rules of the NASDAQ Global Market, a director will only qualify as an ''independent director'' if that company's board of directors affirmatively determines that such director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition, following the effectiveness of this registration statement, the members of our audit committee must satisfy the independence criteria set forth in Rule 10A-3 promulgated under Section 10A(m) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or Rule 10A-3. In order to be considered independent for purposes of Rule 10A-3, no member of the audit committee may, other than in his capacity as a member of the audit committee, the board of directors or any other Board committee: (i) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the company or any of its subsidiaries; or (ii) be an affiliated person of the company or any of its subsidiaries.

Prior to the completion of this offering, our board of directors will undertake a review of the independence of each director and consider whether any director has a material relationship with us that could compromise his ability to exercise independent judgment in carrying out his responsibilities.

### Lead Independent Director

In connection with this offering, we intend to adopt corporate governance guidelines that will provide that one of our independent directors should serve as a lead independent director at any time when our Chief Executive Officer serves as the Chairman of our board of directors, or if the Chairman is not otherwise independent. Because Mr. Christensen is our Chairman and Chief Executive Officer, our board of directors expects to appoint a lead independent director who will preside over periodic meetings of our independent directors, serve as a liaison between our Chairman and the independent directors and perform additional duties as our board of directors may otherwise determine or delegate from time to time.

### Committees of the Board of Directors

We expect that, immediately following this offering, the standing committees of our board of directors will consist of an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. Each of the committees will report to the board of directors as they deem appropriate and as the board may request. The expected composition, duties and responsibilities of these committees are set forth below. Members serve on these committees until their resignation or until otherwise determined by our board of directors.

#### *Audit Committee*

The Audit Committee will be responsible for, among other matters: (i) appointing, retaining and evaluating our independent registered public accounting firm and approving all services to be performed by them; (ii) overseeing our independent registered public accounting firm's qualifications, independence and performance; (iii) overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual financial statements that we file with the SEC; (iv) reviewing and monitoring our accounting principles, accounting policies, financial and accounting controls and compliance with legal and regulatory requirements; (v) establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters; and (vi) reviewing and approving related party transactions.

Upon the completion of this offering, our Audit Committee will consist of Ronald Kennedy, and Gary Michael as chairman of the committee. We believe that each of Messrs. Kennedy, and Michael meets the definition of "independent director" for purposes of serving on an audit committee under SEC Rule 10A-3 and the NASDAQ Global Market rules. Within 90 days following the effective date of the registration statement of which this prospectus forms a part, we anticipate that the audit committee will consist of a majority of independent directors, and within one year following the effective date of the registration statement of which this prospectus forms a part, the audit committee will consist exclusively of independent directors. In addition, our board of directors has determined that qualifies as an "audit committee financial expert," as such term is defined in Item 407(d)(5) of Regulation S-K. Our board of directors will adopt a new written charter for our audit committee, which will be available on our corporate website at www.petiq.com upon the completion of this offering. The information on our website is not part of this prospectus.

***Compensation Committee***

The Compensation Committee will be responsible for, among other matters: (i) reviewing key employee compensation goals, policies, plans and programs; (ii) reviewing and approving the compensation of our directors, chief executive officer and other executive officers; (iii) reviewing and approving employment agreements and other similar arrangements between us and our executive officers; and (iv) administering our stock plans and other incentive compensation plans.

Immediately following this offering, our Compensation Committee will consist of James Clarke, Gary Michael and Mark First as chairman of the committee. Our board of directors will adopt a written charter for the Compensation Committee in connection with this offering, which will be available on our corporate website at www.petiq.com upon the completion of this offering. The information on our website is not part of this prospectus.

***Corporate Governance and Nominating Committee***

Our Corporate Governance and Nominating Committee will be responsible for, among other matters: (i) identifying individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors; (ii) overseeing the organization of our board of directors to discharge the board's duties and responsibilities properly and efficiently; (iii) identifying best practices and recommending corporate governance principles; and (iv) developing and recommending to our board of directors a set of corporate governance guidelines and principles applicable to us.

Immediately following this offering, our Corporate Governance and Nominating Committee will consist of Mark First and James Clarke as chairman of the committee. Our board of directors will adopt a written charter for the Corporate Governance and Nominating Committee in connection with this offering, which will be available on our corporate website at www.petiq.com upon the completion of this offering. The information on our website is not part of this prospectus.

***Compensation Committee Interlocks and Insider Participation***

None of the members of our compensation committee will have at any time been one of our executive officers or employees.

None of our executive officers currently serves, or has served during the last completed year, as a member of the board of directors or compensation committee (or other committee serving an equivalent function) of another entity that had one or more of its executive officers serving as a member of our board of directors or a member of HoldCo.

***Other Committees***

Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

## Board of Directors' Leadership Structure and Risk Oversight

Our board of directors will oversee the risk management activities designed and implemented by our management. The board of directors will execute its oversight responsibility for risk management both directly and through its committees. The full board of directors will also consider specific risk topics, including risks associated with our strategic plan, business operations and capital structure. In addition, the board of directors will receive detailed regular reports from members of our senior management and other personnel that include assessments and potential mitigation of the risks and exposures involved with their respective areas of responsibility.

Our board of directors will delegate to the Audit Committee oversight of our risk management process. Our other board committees will also consider and address risk as they perform their respective committee responsibilities. All committees will report to the full board of directors as appropriate, including when a matter rises to the level of a material or enterprise level risk.

Although the Board of Directors does not have a formal policy on whether the roles should be combined or separated, we have had a separate Chairman of the Board and Chief Executive Officer. The independent members of our board have named Mr. Mark First our independent lead director. Mr. First, as independent lead director, chairs the executive sessions of the non-management members of our board of directors, acts as a liaison with Mr. Christensen, in consultation with the independent directors and assists in developing the agendas for each board of directors meeting. We believe that this leadership structure also provides an appropriate forum for the Board to execute its risk oversight function, which is described below.

### Code of Ethics

We have adopted a Code of Ethics that applies to all of our employees, including our chief executive officer, chief financial officer and principal accounting officer. Our Code of Ethics will be available on our website at www.petiq.com upon the completion of this offering. If we amend or grant a waiver of one or more of the provisions of our Code of Ethics, we intend to satisfy the requirements under Item 5.05 of Form 8-K regarding the disclosure of amendments to or waivers from provisions of our Code of Ethics that apply to our principal executive officer, financial and accounting officers by posting the required information on our website at the above address. Our website is not part of this prospectus.

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following Summary Compensation Table discloses the compensation information for fiscal year 2016 for our principal executive officer ("PEO") and the two most highly compensated executive officers other than the PEO who were serving as executive officers at the end of the last completed fiscal year (collectively, the "named executive officers"). Certain updated compensation and other information is provided in the narrative sections following the Summary Compensation Table.

| NAME AND PRINCIPAL POSITION | YEAR | SALARY ($) | BONUS ($) [1] | TOTAL ($) |
|---|---|---|---|---|
| McCord Christensen<br>*Chief Executive Officer* | 2016 | 284,333 | 135,000 | 419,333 |
| Scott Adcock<br>*President* | 2016 | 284,333 | 135,000 | 419,333 |
| John Newland<br>*Chief Financial Officer* | 2016 | 279,542 | 135,000 | 414,542 |

(1) The amounts reported in the "Bonus" column represent discretionary bonuses paid to the executives by the Company in 2017 with respect to services provided in 2016.

### Narrative to Summary Compensation Table

***Base Salaries***

Base salaries established for the Company's executive officers are intended to reflect each individual's responsibilities, experience, historical performance and other discretionary factors deemed relevant by the Company and have generally been set at levels deemed necessary to attract and retain individuals with superior talent. Base salaries are also designed to provide executive officers with steady cash flow during the course of the fiscal year that is not contingent on short-term variations in the Company's operating performance.

Our named executive officers were entitled to the following annual base salaries:

| NAME | 2016 BASE SALARY ($) (EFFECTIVE JANUARY 1, 2016) | 2017 BASE SALARY ($) (EFFECTIVE JANUARY 1, 2017) |
|---|---|---|
| McCord Christensen | 286,000 | 294,500 |
| Scott Adcock | 286,000 | 294,500 |
| John Newland | 281,000 | 289,000 |

Base salaries were increased in 2017 to reflect individual performance and to recognize the contributions of our named executive officers within their respective roles.

***Employee Benefit and Retirement Programs***

We did not maintain any annual cash incentive programs, qualified defined benefit plans, qualified defined contribution plans or nonqualified deferred compensation plans for our named executive officers or other employees in 2016.

***Employment Agreements***

Effective May 31, 2012, Messrs. Christensen and Adcock entered into substantially similar employment agreements with the Company to serve as Chief Executive Officer and President, respectively, for a term of three years, plus automatic one-year renewals thereafter unless any party provides notice of intent not to renew the agreement. The agreements provided for an initial base salary of $240,000 per year. In addition, Messrs. Christensen and Adcock are entitled to receive annual cash bonuses in the discretion of the board of managers.

In the event that either executive's employment is terminated by the Company without "Cause" (as defined in the applicable employment agreement), the executive would be entitled to continued payment of his then-current annual base salary for a period of 12 months. The executives may resign their employment for any reason upon giving the Company no less than 30 days' notice.

Messrs. Christensen and Adcock are subject to certain restrictive covenants, including provisions regarding non-competition and non-solicitation of employees, independent contractors, clients, customers or suppliers, while employed by the Company and for a period following the termination of employment of either one year (in the event of a termination of employment by the Company for any reason other than Cause) or 18 months (in the event of a termination by the Company for Cause or by the executive for any reason). The Company may extend the covenant period up to one additional year; provided that it pays the executive his annual base salary (at the rate in effect at the time of his termination) during such extended period.

***Newland Offer Letter***

Mr. Newland is party to an offer letter dated March 6, 2014 pursuant to which he serves as the Company's Chief Financial Officer. Mr. Newland's offer letter provided for an initial base salary of $215,000 per year and eligibility to receive an annual cash bonus equal to fifty percent (50%) of his base salary. Mr. Newland's employment is at-will; however, if his employment is terminated without cause, he is entitled to continued payment of his then-current annual base salary for a period of three months. During the term of his employment, Mr. Newland is prohibited from engaging in any other employment or business activity directly related to the business of the Company.

## Outstanding Equity Awards at 2016 Fiscal Year-End

| | CLASS P UNITS | |
|---|---|---|
| NAME | NUMBER OF CLASS P UNITS UNDERLYING UNVESTED AWARDS (#) [1] | MARKET VALUE OF UNVESTED CLASS P UNITS ($) [2] |
| McCord Christensen | — | — |
| Scott Adcock | — | — |
| John Newland | 100,000 | |

(1) Twenty-five percent (25%) of the Class P Units granted on December 8, 2014 pursuant to the HoldCo Agreement (as defined below) vest on each of the first four anniversaries of the grant date, subject to the recipient's continued employment through each applicable vesting date. All unvested Class P Units, to the extent outstanding, will fully vest upon the occurrence of a "Sale of the Company," as defined in the HoldCo Agreement.

(2) The market value of the unvested Class P Units was determined as of December 31, 2016.

## Incentive Plan Awards

***Class P Units Pursuant to the HoldCo Agreement***

Prior to this offering, 800,000 Class P Units in HoldCo were available for issuance to employees, consultants and independent managers of HoldCo or a subsidiary thereof in the form of grants under the Fifth Amended and Restated Limited Liability Company Agreement of HoldCo (the "Prior HoldCo Agreement"), which became effective December 8, 2014. Class P Units under the Prior HoldCo Agreement are intended to constitute "profits interests" for federal income tax purposes. As shown above in the "Outstanding Equity Awards at 2016 Fiscal-Year End" table above, Mr. Newland held 200,000 Class P Units under the Prior HoldCo Agreement, 100,000 of which are unvested as of the date hereof.

On December 8, 2014, in connection with his Class P Unit grant, Mr. Newland entered a Confidentiality, Non-Solicit and Non-Compete Agreement, which prevents him from competing with the Company or soliciting the Company's employees, independent contractors, clients, customers or suppliers, during employment and for 18 months following his termination.

Under the Prior HoldCo Agreement, members that held Class P Units had the right to receive distributions with respect to their vested Class P Units only if the aggregate distributions made with respect to all classes of units in

HoldCo exceeded the distribution thresholds specified in the participants' individual award agreements. Pursuant to the Prior HoldCo Agreement, recipients of Class P Units were to be selected by the board of managers of HoldCo. Vested and outstanding Class P Units were subject to repurchase by HoldCo in the event of a Class P member's termination of employment with HoldCo or one of its subsidiaries.

As of March 1, 2017, there were 557,000 total outstanding Class P Units held by nine employees of the Company. As a result of the Transactions, Class P Units will be exchanged for shares of Class A common stock.

***PetIQ, Inc. Omnibus Incentive Plan***

We intend to adopt the PetIQ, Inc. Omnibus Incentive Plan (the "Omnibus Plan") pursuant to which cash and equity-based incentives (including through an annual incentive program) may be granted to participating employees, directors and consultants. We expect our board of directors to adopt, and our stockholders to approve, the Omnibus Plan before the consummation of this offering. The principal purposes of the Omnibus Plan are to encourage profitability and growth through short-term and long-term incentives that are consistent with our objectives; to give participants an incentive for excellence in individual performance; to promote teamwork among participants; and to give us a significant advantage in attracting and retaining key employees, directors and consultants. Our Omnibus Plan provides for the grant of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), nonqualified stock options, stock appreciation rights, restricted shares, restricted stock units, performance-based awards (including performance-based restricted shares and performance units), and other stock or cash-based awards. When considering new grants of share-based or option-based awards, the Company intends to take into account previous grants of such awards.

*Administration.* The Omnibus Plan will be administered by our board of directors or by a committee that the board designates for this purpose (referred to below as the plan administrator). The plan administrator will have the power to determine the terms of the awards granted under our Omnibus Plan, including the exercise price, the number of shares subject to each award, and the exercisability of the awards. The plan administrator also will have full power to determine the persons to whom and the time or times at which awards will be made and to make all other determinations and take all other actions advisable for the administration of the Omnibus Plan.

*Grant of Awards; Shares Available for Awards.* Certain employees, directors and consultants will be eligible to be granted awards under the Omnibus Plan, other than incentive stock options, which may be granted only to employees. We will reserve shares of our Class A common stock for issuance under the Omnibus Plan. The number of shares issued or reserved pursuant to the Omnibus Plan will be adjusted by the plan administrator, as they deem appropriate and equitable, as a result of stock splits, stock dividends, and similar changes in our Class A common stock. With respect to any award to any one participant that is intended to qualify as performance-based compensation for purposes of Section 162(m), (i) no more than shares of our Class A common stock will be granted in a fiscal year, (ii) no more than $ will paid in cash with respect to a performance period of one year, and (iii) no more than $ will be paid in cash with respect to a performance period greater than one year. In addition, the maximum number of shares subject to awards granted during any fiscal year to any non-employee director, taken together with any cash fees paid to such non-employee director during the fiscal year, will not exceed $500,000 in total value (calculating the value of any such awards based on the grant date fair market value of such awards for financial reporting purposes).

*Stock Options.* Under the Omnibus Plan, the plan administrator may grant participants incentive stock options, which qualify for special tax treatment in the United States, as well as non-qualified stock options. Stock options are a variable component of compensation designed to incentivize the participants to grow the Company and to increase the value of the Company's shares. The plan administrator will establish the duration of each option at the time it is granted, with a maximum duration of 10 years (or in the case of a ten percent (10%) shareholder within the meaning of Section 422(b)(6) of the Internal Revenue Code, five years) from the date such option is granted, and may also establish vesting performance requirements that must be met prior to the exercise of options. Stock option grants must have an exercise price that is equal to or greater than the fair market value of our Class A common stock on the date of grant. Stock option grants may include provisions that permit the option holder to exercise all or part of the holder's vested options, or to satisfy withholding tax liabilities, by tendering shares of our Class A common stock already owned by the option holder with a fair market value equal to the exercise price.

*Stock Appreciation Rights.* The plan administrator may also grant stock appreciation rights, which will be exercisable upon the occurrence of certain contingent events. Stock appreciation rights are a variable component of compensation designed to retain key employees. Stock appreciation rights entitle the holder upon exercise to receive an amount in any combination of cash and shares of our Class A common stock (as determined by the plan administrator) equal in value to the excess of the fair market value of the shares covered by the stock appreciation rights over the exercise price of the right.

*Restricted Shares.* The plan administrator may also grant restricted shares, which are awards of our shares of Class A common stock that vest in accordance with the terms and conditions established by the plan administrator. The plan administrator will determine in the award agreement whether the participant will be entitled to vote the restricted shares and/or receive dividends on such shares. Restricted shares are a variable component of compensation also available to retain key employees when deemed appropriate.

*Restricted Stock Units.* Restricted stock units represent the right to receive shares of our Class A common stock at a specified date in the future, subject to forfeiture of such right. If the restricted stock unit has not been forfeited, then on the date specified in the restricted stock unit grant, the Company must deliver to the holder of the restricted stock unit, unrestricted shares of our Class A common stock, which will be freely transferable. Restricted stock units are a variable component of compensation also designed to retain key employees when deemed appropriate.

*Performance-Based Awards.* Performance-based awards are denominated in shares of our Class A common stock, stock units or cash, and are linked to the satisfaction of performance criteria established by the plan administrator. Performance-based awards are a variable component of compensation designed to reward key management for achieving annual performance goals. If the plan administrator determines that the performance-based award to an employee is intended to meet the requirements of “qualified performance-based compensation” and therefore may be deductible under Section 162(m) of the Internal Revenue Code, then the performance-based criteria upon which the awards will be based shall be with reference to any one or more of the following: earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; net operating profit after tax; cash flow; revenue; net revenues; sales; days sales outstanding; scrap rates; income; net income; operating income; net operating income, operating margin; earnings; earnings per share; return on equity; return on investment; return on capital; return on assets; return on net assets; total stockholder return; economic profit; market share; appreciation in the fair market value, book value or other measure of value of the Company’s Class A common stock; expense/cost control; working capital; volume/production; new products; customer satisfaction; brand development; employee retention or employee turnover; employee satisfaction or engagement; environmental, health, or other safety goals; individual performance; strategic objective milestones; days inventory outstanding; or any combination of, or a specified increase in, any of the foregoing.

*Change in Control Provisions.* In connection with the grant of an award, the plan administrator may provide for the treatment of such award in the event of a change in control of the Company, including that, in the event of an involuntary termination of a participant’s employment by the Company in connection with a change in control, any outstanding awards that are unexercisable or otherwise unvested will become fully vested and/or immediately exercisable.

*Amendment and Termination.* Our board of directors, or a committee thereof, may alter, amend, modify, or terminate the Omnibus Plan at any time; provided that the approval of our stockholders will be obtained for any amendment to the Omnibus Plan that requires stockholder approval under the rules of the stock exchange on which our Class A common stock is then listed or in accordance with other applicable law. In addition, no modification of an award will, without the prior written consent of the participant, impair the rights of a participant under the Omnibus Plan.

*Compliance with Applicable Laws.* We intend to structure the Omnibus Plan so that we can grant stock options and other performance-based awards that may qualify for an exemption from the deduction limitation contained in Section 162(m) of the Internal Revenue Code, to the extent that Section 162(m) is applicable. Awards under our Omnibus Plan shall be designed, granted and administered in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A of the Internal Revenue Code.

### Director Compensation

In connection with this offering, the Company intends to approve and implement a director compensation program that, effective upon the closing of this offering, will be applicable to all of our non-employee directors. Under the Company's director compensation program, each non-employee director will be entitled to receive an annual cash retainer of $30,000 in consideration for his or her service on our board of directors and a per-meeting cash fee ranging from $500 to $1,000. In addition, each non-employee director serving as the chairman of a committee of the board of directors will receive a cash fee, as applicable, of $5,000 (for the chairs of the compensation and nominating and governance committees) or $10,000 (for the chair of the audit committee).

Following the closing of this offering, pursuant to our director compensation program, each non-employee director will be entitled to an annual equity award relating to our Class A common stock with a grant date fair value of $20,000, subject to vesting after one year of continued service as a director. In addition, upon becoming a member of the board of directors, each new non-employee director will receive a one-time, initial equity award relating to our Class A common stock with a grant date fair value of $50,000, subject to vesting after three years of continued service as a director.

The terms of each equity award described above will be set forth in a written award agreement between the applicable non-employee director and the Company. The director compensation program (including the compensation described above) may be amended, modified or terminated by our board of directors at any time in its sole discretion.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

*The agreements described in this section, or forms of such agreements as they will be in effect at the time of this offering, are filed as exhibits to the registration statement of which this prospectus forms a part, and the following descriptions are qualified by reference thereto.*

### Management Agreements

Pursuant to the Management Consulting Agreement (the "Eos Management Agreement"), dated as of May 31, 2012, by and between OpCo and Eos Management, L.P. ("Eos Management"), OpCo is obligated to pay Eos Management an annual fee of $300,000 for the term of the Eos Management Agreement, in exchange for certain consulting services with respect to financial transactions, acquisitions and other strategic matters related to the business, administration and policies of OpCo. The Eos Management Agreement will terminate upon the consummation of this offering. The Company paid $75,530, $230,630, $389,040 and $303,664 to Eos Management pursuant to the Eos Management Agreement during the three months ended March 31, 2017 and the years ended December 31, 2016, 2015 and 2014, respectively.

HCF—TS Blocker Corp., a Delaware corporation ("HCF Blocker"), Highland Consumer Fund I Limited Partnership, a Delaware limited partnership ("HCF I"), Highland Consumer Entrepreneurs Fund I Limited Partnership, a Delaware limited partnership ("HCEF I," and together with HCF Blocker, HCF I and HCEF I, the "Porchlight Members") entered into a Management Consulting Agreement (the "Porchlight Management Agreement"), dated as of May 31, 2012, by and among OpCo and the Porchlight Members, in exchange for certain consulting services with respect to financial transactions, acquisitions and other strategic matters related to the business, administration and policies of OpCo. The Porchlight Management Agreement will terminate on the date that (i) the Porchlight Members' or any of their affiliates no longer have any equity interests in HoldCo or (ii) a Sale of the Company (as defined in the HoldCo Agreement) occurs. The Porchlight Management Agreement will terminate upon the consummation of this offering. The Company paid $25,000, $79,257, $128,341 and $107,893 to the Porchlight Members pursuant to the Porchlight Management Agreement during the three months ended March 31, 2017 and the years ended December 31, 2016, 2015 and 2014, respectively.

Pursuant to the Management Consulting Agreement (the "Labore Management Agreement"), dated as of May 31, 2012, by and between OpCo and Labore Et Honore LLC ("Labore"), OpCo is obligated to pay Labore an annual fee of $60,000 for the term of the Labore Management Agreement, in exchange for certain consulting services with respect to financial transactions, acquisitions and other strategic matters related to the business, administration and policies of OpCo. The Labore Management Agreement will terminate upon the consummation of this offering. The Company paid $175,000, $45,000, $75,000 and $60,000 to Labore pursuant to the Labore Management Agreement during the three months ended March 31, 2017 and the years ended December 31, 2016, 2015 and 2014, respectively.

### Pledge Agreement

In connection with the Company's prior credit agreement, Labore executed a pledge agreement in favor of the Company's lender, which was effectively a guarantee related to a $2.2 million line of credit collateralized by an account funded by Labore. Subsequent to that pledge agreement, Labore, through an affiliate, procured inventory of a corresponding $2.2 million and sold the inventory to the Company. For its guarantee and related services, the Company paid Labore loan fees, expenses and interest of approximately $260,000 for total payments during the fiscal year ended December 31, 2015 of $2.5 million (including both inventory and fees, expenses and interest).

### The Transactions

In connection with the Transactions, we will engage in certain transactions with certain of our directors, executive officers and other persons and entities that are or will become holders of 5% or more of our voting securities upon the consummation of the Transactions, including the contribution by Certain Sponsors of their indirect ownership interest in LLC Interests in exchange for shares of our Class A common stock in connection with this offering and entering into the Contribution Agreement, the HoldCo Agreement, the Registration Rights Agreement and the Recapitalization Agreement. These transactions are described in "The Transactions" and herein.

The following table sets forth material payments and the value of any equity to be received by each of our directors, executive officers or holders of 5% or more of our voting securities in connection with the offering:

| | CONTRIBUTIONS | | RECLASSIFICATION | |
|---|---|---|---|---|
| | CERTAIN SPONSOR PREFERENCE NOTES (1) | VALUE OF SHARES OF CLASS A COMMON STOCK (2) | CONTINUING LLC OWNER PREFERENCE NOTES (1) | VALUE OF SHARES OF CLASS B COMMON STOCK (3) |
| ***5% Stockholders*** | | | | |
| EOS Funds (4) | $ | $ | $ — | $ — |
| Labore et Honore LLC (5) | — | — | | |
| Porchlight Entities (6) | | | | |
| True Science Founders, LLC (7) | — | — | — | |
| ***Executive Officers and Directors*** | | | | |
| McCord Christensen | — | — | | |
| John Newland | — | — | | |
| Scott Adcock | — | — | | |
| Mark First (4) | — | — | — | — |
| Gary Michael | — | — | — | — |
| James Clarke (5) | — | — | — | — |
| Ronald Kennedy (7) | — | — | | — |

(1) The Preference Notes will accrue interest at a rate of two percent per annum and will be immediately due and payable upon the consummation of this offering. The Company will use the proceeds of this offering to repay the Preference Notes. See “Use of Proceeds” and “—Preference Notes.”

(2) The value of the shares of Class A common stock assumes that the shares are offered at $ per share (the midpoint of the price ranged listed on the cover page of this prospectus).

(3) Each Continuing LLC owner will receive one share of Class B common stock for each LLC Interest it owns. As a result, the value of the LLC Interests correlates to the value of the Class B common stock owned by each Continuing LLC Owner. The Class B common stock is not freely tradeable and there will be no market for such shares. Accordingly, the value of the Class B common stock assumes that the shares are converted into shares of Class A common stock and that the Class A common stock is offered at $ per share (the midpoint of the price range listed on the cover page of this prospectus).

(4) Includes $ aggregate principal amount of Certain Sponsor Preference Notes and $ value of shares of Class A common held by ECP IV TS Investor Co. and $ aggregate principal amount of Certain Sponsor Preference Notes and $ value of shares of Class A common stock held by Eos TS Investor Co. (collectively, the “Eos Funds”). Mr. First is the Managing Director of Eos Management.

(5) Mr. Clarke is the Manager of Labore et Honore LLC.

(6) Includes $ aggregate principal amount of Continuing LLC Owner Preference Notes and $ value of shares of Class B common stock held by Highland Consumer Fund I Limited Partnership (“Fund I”), $ aggregate principal amount of Certain Sponsor Preference Notes and $ value of shares of Class A common stock held by HCF—TS Blocker Corp. (“Blocker Corp.”) and $ aggregate principal amount of Continuing LLC Owner Preference Notes and $ value of shares of Class B common stock held by Highland Consumer Entrepreneurs Fund I Limited Partnership (“Entrepreneurs Fund” and together with Fund I and Blocker Corp., the “Porchlight Entities”). Highland Consumer GP Limited Partnership is the general partner of each of the Porchlight Entities. Highland Consumer GP GP LLC (“HC GP GP”) is the general partner of Highland Consumer GP Limited Partnership.

(7) True Science Founders, LLC (“Founders”) is primarily owned by current and former employees of the Company. Includes $ value of shares of Class B common stock, which represents Mr. Kennedy’s proportionate interest in the Class B common stock owned by Founders. Mr. Kennedy is the President of Founders.

## HoldCo Agreement

In connection with the Transactions, we and the Continuing LLC Owners, which include Labore, the Porchlight Entities (other than HCF Blocker), McCord Christensen, John Newland, Scott Adcock, James Clarke, Ronald Kennedy and David Krauser, and Sponsor Corps (the Eos Funds and HCF Blocker) will enter into HoldCo’s sixth amended and restated limited liability company agreement, which we refer to as the “HoldCo Agreement.” See “Principal Stockholders.” As a result of the Transactions and this offering, we will hold LLC Interests in HoldCo directly and indirectly through the Sponsor Corps and will be the sole managing member of HoldCo. Accordingly, we will operate

and control all of the business and affairs of HoldCo and, through HoldCo and its operating subsidiaries, conduct our business. The operations of HoldCo, and the rights and obligations of the holders of LLC Interests, will be set forth in the HoldCo Agreement.

*Appointment as Sole Managing Member.* Under the HoldCo Agreement, we will become a member and the sole managing member of HoldCo. As the sole managing member, we will be able to control all of the day-to-day business affairs and decision-making of HoldCo without the approval of any other member. As such, we, through our officers and directors, will be responsible for all operational and administrative decisions of HoldCo and the day-to-day management of HoldCo's business. Pursuant to the terms of the HoldCo Agreement, we cannot, under any circumstances, be removed as the sole managing member of HoldCo except by our election.

*Compensation.* We will not be entitled to compensation for our services as the sole managing member. We will be entitled to reimbursement by HoldCo for fees and expenses incurred on behalf of HoldCo, including all expenses associated with this offering and maintaining our corporate existence.

*Reclassification.* The HoldCo Agreement reclassifies the units currently held by the existing members of HoldCo into a new single class of common membership units, which we refer to as the "LLC Interests." Each LLC Interest will entitle the holder to a pro rata share of the net profits and net losses and distributions of HoldCo.

*Distributions.* The HoldCo Agreement will require "tax distributions," as that term is defined in the HoldCo Agreement, to be made by HoldCo to its "members," as that term is defined in the HoldCo Agreement. Tax distributions will be made when members are required to make estimated payments or file tax returns, which we expect will be approximately on a quarterly basis, to each member of HoldCo, including us. These tax distributions will be funded from available cash of HoldCo and its subsidiaries. Tax distributions for us will be computed based on our actual tax liability as a result of the net taxable income allocated to us as a result of owning interests in Holdco. Tax distributions for all other holders of LLC Interests will be computed by multiplying their respective allocable share of net taxable income by the maximum rate applicable to an individual resident in New York, New York (taking into account the deductibility of state and local taxes and other applicable adjustments). The tax rate used to determine tax distributions to holders of LLC Interests other than us will apply regardless of the actual final tax liability of any member. The HoldCo Agreement will also allow for distributions to be made by HoldCo to its members on a pro rata basis. We expect HoldCo may make cash distributions periodically to the extent permitted by our agreements governing our indebtedness and necessary to enable us to cover our operating expenses.

*LLC Interest Exchange Right.* Under the HoldCo Agreement, the Continuing LLC Owners (or certain permitted transferees thereof) will have the right, from time to time and subject to the terms of the HoldCo Agreement, to exchange their LLC Interests, along with a corresponding number of shares of our Class B common stock, for newly issued shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends, reclassifications and similar transactions. Our board of directors, which will include directors who hold LLC Interests or are affiliated with holders of LLC Interests and may include such directors in the future, may, at its option, instead cause HoldCo to make a cash payment equal to the volume weighted average market price of one share of our Class A common stock for each LLC Interest exchanged (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the HoldCo Agreement. Shares of our Class B common stock will be cancelled on a one-for-one basis if we, at the election of a Continuing LLC Owner, exchange LLC Interests of such Continuing LLC Owner pursuant to the terms of the HoldCo Agreement.

*Issuance of LLC Interests Upon Exercise of Options or Issuance of Other Equity Compensation.* Upon the exercise of options issued by us, or the issuance of other types of equity compensation by us (such as the issuance of restricted or non-restricted stock, payment of bonuses in stock or settlement of stock appreciation rights in stock), we will be required to acquire from HoldCo a number of LLC Interests equal to the number of shares of Class A common stock being issued in connection with the exercise of such options or issuance of other types of equity compensation. When we issue shares of Class A common stock in settlement of stock options granted to persons that are not officers or employees of HoldCo or its subsidiaries, we will make, or be deemed to make, a capital contribution to HoldCo equal to the aggregate value of such shares of Class A common stock, and HoldCo will issue to us a number of LLC Interests equal to the number of shares of Class A common stock that we issued. When we issue shares of

Class A common stock in settlement of stock options granted to persons that are officers or employees of HoldCo or its subsidiaries, we will be deemed to have sold directly to the person exercising such award a portion of the value of each share of Class A common stock equal to the exercise price per share, and we will be deemed to have sold directly to HoldCo (or the applicable subsidiary of HoldCo) the difference between the exercise price and market price per share for each such share of Class A common stock. In cases where we grant other types of equity compensation to employees of HoldCo or its subsidiaries, on each applicable vesting date we will be deemed to have sold to HoldCo (or such subsidiary) the number of vested shares at a price equal to the market price per share, HoldCo (or such subsidiary) will deliver the shares to the applicable person, and we will be deemed to have made a capital contribution in HoldCo equal to the purchase price for such shares in exchange for an equal number of LLC Interests.

*Maintenance of One-to-one Ratio of Shares of Class A Common Stock and LLC Interests Owned By PetIQ.* Our amended and restated certificate of incorporation and the HoldCo Agreement will require that (i) we at all times maintain a ratio of one LLC Interest owned by us for each share of Class A common stock issued by us (subject to certain exceptions for treasury shares and shares underlying certain convertible or exchangeable securities), and (ii) HoldCo at all times maintain (x) a one-to-one ratio between the number of shares of Class A common stock issued by us and the number of LLC Interests owned by us and (y) a one-to-one ratio between the number of shares of Class B common stock owned by the Continuing LLC Owners and the number of LLC Interests owned by the Continuing LLC Owners. This construct is intended to result in the Continuing LLC Owners having a voting interest in PetIQ that is substantially the same as the Continuing LLC Owners' percentage economic interest in HoldCo.

*Transfer Restrictions.* The HoldCo Agreement generally does not permit transfers of LLC Interests by members, subject to limited exceptions. Any transferee of LLC Interests must assume, by operation of law or written agreement, all of the obligations of a transferring member with respect to the transferred units, even if the transferee is not admitted as a member of HoldCo.

*Dissolution.* The HoldCo Agreement will provide that HoldCo will be dissolved and its affairs wound up on the first to occur of (i) the determination of PetIQ, as the sole managing member of HoldCo, (ii) the entry of a decree of judicial dissolution or (iii) any other circumstance in accordance with Delaware law. Upon a dissolution event, the proceeds of a liquidation will be distributed in the following order: first, to pay debts and liabilities owed to creditors of HoldCo and second, to the members pro rata in accordance with their respective percentage ownership interests in HoldCo (as determined based on the number of LLC Interests held by a member relative to the aggregate number of all outstanding LLC Interests).

*Indemnification.* The HoldCo Agreement provides that each member will, to the fullest extent permitted by law, indemnify and hold harmless HoldCo, PetIQ (as the sole managing member) and each other person who is or who is deemed to be the responsible withholding agent for United States federal, state or local or foreign income tax purposes against all claims, liabilities and expenses of whatever nature relating to HoldCo's, PetIQ's (as the sole managing member) or such other person's obligation to withhold and to pay over, or otherwise to pay, any withholding or other taxes payable by HoldCo, PetIQ (as the sole managing member) or any of their affiliates with respect to such member or as a result of such member's ownership of LLC Interests, transfer of LLC Interests (including by exchange) or participation in HoldCo.

Additionally, the HoldCo Agreement provides that HoldCo will, to the fullest extent permitted by law, indemnify and hold harmless any member, officer or tax matters member, in its capacity as such, who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or arbitrative, or any appeal, inquiry or investigation of the foregoing, against all judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including reasonable attorneys' fees and expenses) actually incurred by such person in connection with any such proceeding, appeal, inquiry or investigation, if such person acted in "good faith," as that term is defined in the HoldCo Agreement. PetIQ, as the sole managing member, must consent to any indemnification claims, which claims could involve indemnification for negligence or under theories of strict liability.

*Amendments.* The HoldCo Agreement may be amended with the consent of the sole managing member. Notwithstanding the foregoing, no amendment to the HoldCo Agreement will be effective with respect to a

Continuing LLC Owner that does not vote in favor thereof if such amendment would materially and adversely affect the rights of such Continuing LLC Owner other than on a pro rata basis with the other Continuing LLC Owners unless if more than one holder is so effected and such amendment is approved by a majority of the affected holders.

No amounts have been paid or are payable to the Continuing LLC Owners in connection with the HoldCo Agreement.

### Registration Rights Agreement

In connection with the Transactions, we intend to enter into a registration rights agreement with the Continuing LLC Owners and Certain Sponsors, which include certain of our directors, officers and 5% stockholders. The registration rights agreement will provide Certain Sponsors with certain demand registration rights, including shelf registration rights, in respect of any shares of our Class A common stock held by them, subject to certain conditions. In addition, in the event that we register additional shares of Class A common stock for sale to the public following the completion of this offering, we will be required to give notice of such registration to Certain Sponsors and the Continuing LLC Owners of our intention to effect such a registration and, subject to certain limitations, include shares of Class A common stock held by them in such registration. We also will undertake in the registration rights agreement to file a shelf registration statement as soon as we meet the applicable eligibility criteria and to use commercially reasonable efforts to have the shelf registration statement declared effective as soon as practicable and to remain effective in order to register the exchange of LLC Interests together with shares of Class B common stock for shares of Class A common stock by certain Continuing LLC Owners from time to time. We will be required to bear the registration expenses, other than underwriting discounts and commissions and transfer taxes, associated with any registration of shares pursuant to the registration rights agreement. The registration rights agreement will include customary indemnification provisions in favor of the Continuing LLC Owners and Certain Sponsors, any person who is or might be deemed a control person (within the meaning of the Securities Act and the Exchange Act) and related parties against certain losses and liabilities (including reasonable costs of investigation and legal expenses) arising out of or based upon any filing or other disclosure made by us under the securities laws relating to any such registration.

No amounts have been paid or are payable to the Continuing LLC Owners and Certain Sponsors in connection with the Registration Rights Agreement.

### Preference Notes

Pursuant to a contribution agreement to be entered into prior to this offering, Certain Sponsors will contribute all of their interests in the Sponsor Corps to PetIQ. In exchange for this contribution of the Sponsor Corps to PetIQ, the Certain Sponsors will receive the Certain Sponsor Preference Notes in an aggregate amount of $ million and an aggregate of shares of Class A common stock (which shares represent the remaining value of each Certain Sponsor's indirect interest in HoldCo immediately prior to the respective contribution after taking into consideration the amount of the applicable Certain Sponsor Preference Note and based on a hypothetical valuation of HoldCo agreed to by the Continuing LLC Owners and the Sponsor Corps). In addition, the LLC Interests to be received in the Reclassification will be allocated to the Sponsor Corps and the Continuing LLC Owners. The number of LLC Interests to be allocated to the Sponsor Corps, and therefore indirectly to PetIQ, will be equal to the number of shares of Class A common stock that Certain Sponsors receive in the Contributions. The Continuing LLC Owners (i) will exchange certain LLC interests for the Continuing LLC Owner Preference Notes payable by PetIQ in the aggregate amount of $ million and (ii) will receive from PetIQ LLC an aggregate of LLC Interests (which LLC Interests represent the remaining value of each Continuing LLC Owner's interest in HoldCo immediately prior to the Reclassification after taking into consideration the amount of the applicable Continuing LLC Owner Preference Note and based on a hypothetical valuation of HoldCo agreed to by the Continuing LLC Owners and the Sponsor Corps). The Preference Notes will accrue interest at a rate of two percent per annum and will be immediately due and payable upon the consummation of this offering. The Company will repay the Preference Notes with the proceeds of this offering.

### Indemnification Agreements with Directors and Officers

Following the completion of this offering, our amended and restated certificate of incorporation and bylaws will provide that we will indemnify each of our directors and officers to the fullest extent permitted by Delaware law. In addition, we intend to enter into indemnification agreements with our directors and officers, which will provide indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. No amounts have been paid or are payable pursuant to the indemnification agreements.

### Policies and Procedures for Related Person Transactions

Prior to the closing of this offering, our board of directors will adopt a written related party transaction policy setting forth the policies and procedures for the review and approval or ratification of related person transactions. The policy, effective upon the closing of this offering, will cover any transactions, arrangements or relationships, or any series of similar transactions, arrangements or relationships, in which we are to be a participant and our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our Class A common stock and any members of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, as determined by the audit committee of our board of directors. Related party transactions include, without limitation, purchases of goods or services by or from the related person or entities in which the related party has a material interest, and indebtedness, guarantees of indebtedness or employment by us of a related party. All related party transactions must be presented to our audit committee for review, consideration and approval. In approving or rejecting any such proposal, our audit committee is to consider the material facts of the transaction, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party's interest in the transaction.

All related party transactions described in this section occurred prior to adoption of this policy and as such, these transactions were not subject to the approval and review procedures set forth in the policy. However, these transactions were reviewed and approved or will be ratified by our board of directors prior to the completion of the offering.

## PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our Class A common stock and Class B common stock, after the consummation of the Transactions and this offering, for:

- each person known by us to beneficially own more than 5% of our Class A common stock or our Class B common stock;
- each of our directors;
- each of our named executive officers; and
- all of our executive officers and directors as a group.

As described in “The Transactions” and “Certain Relationships and Related Party Transactions,” each Continuing LLC Owner will be entitled to have his, her or its LLC Interests exchanged, along with a corresponding number of shares of our Class B common stock, for Class A common stock on a one-for-one basis, or, at the option of PetIQ, cash equal to the market value of the applicable number of our shares of Class A common stock. In connection with this offering, we will issue to each Continuing LLC Owner one share of Class B common stock for each LLC Interest it owns. As a result, the number of shares of Class B common stock listed in the table below correlates to the number of LLC Interests each such Continuing LLC Owner will own immediately prior to and after this offering (but after giving effect to the Transactions). See “The Transactions.” Although the number of shares being offered hereby to the public and the total combined number of shares of Class A common stock and Class B common stock outstanding after the offering will remain fixed regardless of the initial public offering price in this offering, the shares of common stock held by the beneficial owners set forth in the table below after the consummation of the transactions will vary, depending on the initial public offering price in this offering. The table below assumes the shares of Class A common stock are offered at $ per share (the midpoint of the price range listed on the cover page of this prospectus). See “Prospectus Summary—The Offering.”

The number of shares beneficially owned by each stockholder is determined under rules issued by the Securities and Exchange Commission and includes voting or investment power with respect to securities. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power. In computing the number of shares beneficially owned by an individual or entity and the percentage ownership of that person, shares of common stock subject to options, or other rights, including the exchange right described above, held by such person that are currently exercisable or will become exercisable within 60 days of the date of this prospectus, are considered outstanding, although these shares are not considered outstanding for purposes of computing the percentage ownership of any other person. Unless otherwise indicated, the address of all listed stockholders is c/o PetIQ, Inc., 500 E. Shore Drive—Suite 120, Eagle, Idaho 83616. Each of the stockholders listed has sole voting and investment power with respect to the shares beneficially owned by the stockholder unless noted otherwise, subject to community property laws where applicable.

| | SHARES OF CLASS A COMMON STOCK BENEFICIALLY OWNED AFTER THE OFFERING | | SHARES OF CLASS B COMMON STOCK BENEFICIALLY OWNED AFTER THE OFFERING | | TOTAL COMMON STOCK BENEFICIALLY OWNED AND VOTING POWER AFTER THE OFFERING |
|---|---|---|---|---|---|
| NAME OF BENEFICIAL OWNER | NUMBER | PERCENTAGE | NUMBER | PERCENTAGE | PERCENTAGE |
| ***5% Stockholders*** | | | | | |
| Eos Funds (1) | | % | — | —% | % |
| Labore et Honore LLC (2) | | —% | | % | % |
| Porchlight Entities (3) | | % | | % | % |
| True Science Founders, LLC (4) | | —% | | % | |
| NBTS Holdings, Inc. (5) | | —% | | % | |
| ***Named Executive Officers and Directors*** | | | | | |
| McCord Christensen (6) | | —% | | % | % |
| John Newland | | —% | | % | % |
| Scott Adcock | | —% | | % | % |
| Mark First (1) | | % | | —% | % |
| Gary Michael | | —% | | —% | % |
| James Clarke (2)(7) | | —% | | % | % |
| Ronald Kennedy (4)(8) | | —% | | % | % |
| ***All Executive Officers and Directors as a Group (7 persons)*** | | % | | % | % |

(1) Includes shares of Class A common stock held by ECP IV TS Investor Co. and shares of Class A common stock held by Eos TS Investor Co, which are affiliates (collectively, the "Eos Funds"). As Managing Director of Eos Management, Mr. First has voting and investment control over and may be considered the beneficial owner of stock owned by the Eos Funds. Mr. First disclaims any beneficial ownership of the stock owned by the Eos Funds. The principal business address for the Eos Funds is 320 Park Avenue, 9th Floor, New York, NY 10022.

(2) As the Manager of Labore et Honore LLC, Mr. Clarke has voting and investment control over and may be deemed to be the beneficial owner of shares held by Labore et Honore LLC. The principal business address for Labore et Honore is 5152 Edgewood Drive, Suite 375, Provo, UT 84604.

(3) Includes shares of Class B common stock held by Highland Consumer Fund I Limited Partnership ("Fund I"), shares of Class A common stock held by HCF—TS Blocker Corp. ("Blocker Corp.") and shares of Class B common stock held by Highland Consumer Entrepreneurs Fund I Limited Partnership ("Entrepreneurs Fund" and together with Fund I and Blocker Corp., the "Porchlight Entities"). Highland Consumer GP Limited Partnership is the general partner of each of the Porchlight Entities. Highland Consumer GP GP LLC ("HC GP GP") is the general partner of Highland Consumer GP Limited Partnership. The principal business address for the Porchlight Entities is 20 William Street, Suite 115, Wellesley, MA 02481.

(4) True Science Founders, LLC is primarily owned by current and former employees of the Company. Includes shares of Class B common stock, which represents Mr. Kennedy's proportionate interest in Class B common stock owned by True Science Founders, LLC ("Founders"). As President of Founders, Mr. Kennedy has voting and investment control over and may be considered the beneficial owner of all stock owned by Founders.

(5) NBTS Holdings, Inc. is owned by Todd Stefaniak (70%) and Nancy Ben-Hamo (30%). The principal business address for NBTS Holdings, Inc. is 1116 Pelican Bay Drive, Daytona Beach, Florida 32119.

(6) Includes shares of Class B common stock held by Christensen Series F LLC. Mr. Christensen is the manager of Christensen Series F LLC and has voting and investment control over the shares of Class B common stock held by Christensen Series F LLC.

(7) Includes shares of Class B common stock held by The JNC 101 Trust of which Andrea Clarke, the wife of Mr. Clarke is the trustee, shares of Class B common stock held by the James N. Clarke Irrevocable Trust, dated December 27, 2012 of which Mrs. Clarke is the trustee and shares of Class B common stock held by the Andrea M. Clarke Irrevocable Trust, dated December 27, 2012 of which Mr. Clarke is the trustee.

(8) Includes shares of Class B common stock held by Kennedy Family Investments, LLC, the manager of which is Mr. Kennedy.

# DESCRIPTION OF CAPITAL STOCK

The following descriptions of our capital stock and provisions of our amended and restated certificate of incorporation and our bylaws, each of which will be in effect prior to the completion of this offering, are summaries and are qualified by reference to the amended and restated certificate of incorporation and the bylaws, which are filed as exhibits to the registration statement of which this prospectus forms a part. Under "Description of Capital Stock," "we," "us," "our" and "our Company" refers to PetIQ and not to any of its subsidiaries.

Our current authorized capital stock consists of 1,000 shares of common A stock, par value $0.001 per share, and 1,000 shares of Class B common stock, par value $0.001 per share. As of the consummation of this offering, our authorized capital stock will consist of shares of Class A common stock, par value $0.001 per share, shares of Class B common stock, par value $0.001 per share, and shares of blank check preferred stock.

## Common Stock

Upon consummation of this offering, there will be shares of our Class A common stock issued and outstanding and shares of our Class B common stock issued and outstanding.

## Class A Common Stock

### *Voting Rights*

Holders of our Class A common stock will be entitled to cast one vote per share. Holders of our Class A common stock will not be entitled to cumulate their votes. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all holders of Class A common stock and Class B common stock present in person or represented by proxy, voting together as a single class. Except as otherwise provided by law, amendments to the amended and restated certificate of incorporation must be approved by a majority or, in some cases, a super-majority of the combined voting power of all shares of Class A common stock and Class B common stock, voting together as a single class.

### *Dividend Rights*

Holders of Class A common stock will share ratably (based on the number of shares of Class A common stock held) if and when any dividend is declared by the board of directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock.

### *Liquidation Rights*

On our liquidation, dissolution or winding up, each holder of Class A common stock will be entitled to a pro rata distribution of any assets available for distribution to common stockholders.

### *Other Matters*

No shares of Class A common stock will be subject to redemption or have preemptive rights to purchase additional shares of Class A common stock. Holders of shares of our Class A common stock do not have subscription, redemption or conversion rights. There will be no redemption or sinking fund provisions applicable to the Class A common stock. Upon consummation of this offering, all the outstanding shares of Class A common stock will be validly issued, fully paid and non-assessable. The rights powers, preferences and privileges of our Class A common stock will be subject to those of the holders of any shares of our preferred stock or any other series or class of stock we may authorize and issue in the future.

## Class B Common Stock

### *Issuance of Class B Common Stock with LLC Interests*

Shares of Class B common stock will only be issued in the future to the extent necessary to maintain a one-to-one ratio between the number of LLC Interests held by Continuing LLC Owners and the number of shares of Class B common stock issued to Continuing LLC Owners. Shares of Class B common stock are transferable only together with an equal number of LLC Interests. Shares of Class B common stock will be cancelled on a one-for-one basis upon the exchange of LLC Interests pursuant to the terms of the HoldCo Agreement.

***Voting Rights***

Holders of Class B common stock will be entitled to cast one vote per share, with the number of shares of Class B common stock held by each Continuing LLC Owner being equivalent to the number of LLC Interests held by such Continuing LLC Owner. Holders of our Class B common stock will not be entitled to cumulate their votes. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all holders of Class A common stock and Class B common stock present in person or represented by proxy, voting together as a single class. Except as otherwise provided by law, amendments to the amended and restated certificate of incorporation must be approved by a majority or, in some cases, a super-majority of the combined voting power of all shares of Class A common stock and Class B common stock, voting together as a single class.

***Dividend Rights***

Holders of our Class B common stock will not participate in any dividend declared by the board of directors.

***Liquidation Rights***

On our liquidation, dissolution or winding up, holders of Class B common stock will not be entitled to receive any distribution of our assets.

***Transfers***

Pursuant to the HoldCo Agreement, each holder of Class B common stock agrees that:

- the holder will not transfer any shares of Class B common stock to any person unless the holder transfers an equal number of LLC Interests to the same person; and
- in the event the holder transfers any LLC Interests to any person, the holder will transfer an equal number of shares of Class B common stock to the same person.

***Other Matters***

No shares of Class B common stock will be subject to redemption rights or have preemptive rights to purchase additional shares of Class B common stock. Holders of shares of our Class B common stock do not have subscription, redemption or conversion rights. There will be no redemption or sinking fund provisions applicable to the Class B common stock. Upon consummation of this offering, all outstanding shares of Class B common stock will be validly issued, fully paid and non-assessable.

## Preferred Stock

Our amended and restated certificate of incorporation provides that our board of directors has the authority, without action by the stockholders, to designate and issue up to shares of preferred stock in one or more classes or series and to fix the powers, rights, preferences and privileges of each class or series of preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any class or series, which may be greater than the rights of the holders of the common stock. There will be no shares of preferred stock outstanding immediately after this offering.

The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding voting stock. Additionally, the issuance of preferred stock may adversely affect the holders of our Class A common stock by restricting dividends on the Class A common stock, diluting the voting power of the Class A common stock or subordinating the liquidation rights of the Class A common stock. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of our Class A common stock.

### Exclusive Venue

Our amended and restated certificate of incorporation, as it will be in effect upon the closing of this offering, will require, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or the bylaws or (iv) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers.

### Anti-takeover Effects of Provisions of Our Amended and Restated Certificate of Incorporation, Our Bylaws and Delaware Law

Our amended and restated certificate of incorporation and bylaws, as they will be in effect upon completion of this offering, also contain provisions that may delay, defer or discourage another party from acquiring control of us. We expect that these provisions, which are summarized below, will enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors and discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares of Class A common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management or delaying or preventing a transaction that might benefit you or other minority stockholders.

### Classified Board of Directors

Our amended and restated certificate of incorporation will provide that our board of directors will be divided into three classes, with the classes as nearly equal in number as possible and each class serving three-year staggered terms. See “Management—Corporate Governance—Board Composition.” These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control of us or our management.

### Authorized But Unissued Shares

The authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of the NASDAQ Global Market. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

### Requirements for Advance Notification of Stockholder Meetings, Nominations and Proposals

Our amended and restated certificate of incorporation will provide that stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors, or by a qualified stockholder of record on the record date for the meeting who is entitled to vote at the meeting and who has delivered timely written notice in proper form to our secretary of such stockholder’s intention to bring such business before the meeting. Our amended and restated certificate of incorporation will provide that, subject to applicable law, special meetings of the stockholders may be called only by a resolution adopted by the affirmative vote of the majority of the directors then in office or by the chairman of the board of directors, if any. Our bylaws will prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. In addition, any stockholder who wishes to bring business before an annual meeting or nominate directors must comply with the advance notice and duration of ownership requirements set forth in our bylaws and provide us with certain information. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers or changes in control of us or our management.

### Stockholder Action by Written Consent

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our amended and restated certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation will provide that stockholder action by written consent will be prohibited except as otherwise required by law.

### Special Meetings of Stockholders

Our amended and restated certificate of incorporation will provide that, except as otherwise required by law, a special meeting of stockholders may be called only by the stockholders, the Chairman of the board of directors or the lead director.

### Stockholder Action by Written Consent

Our amended and restated certificate of incorporation will provide that no action may be taken by the stockholders by written consent without a meeting.

### Directors Removed Only for Cause

Our amended and restated certificate of incorporation will provide for the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66 2/3 of the total voting power of the outstanding capital stock entitled to vote generally in the election of directors.

### Amendment of Amended and Restated Certificate of Incorporation or Bylaws

The DGCL provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage.

Pursuant to our amended and restated certificate of incorporation, any amendment to the provisions thereof regarding the bylaws, indemnification of directors, our board of directors, special meetings of stockholders, special stockholder notice provisions, special stockholder voting requirements, corporate opportunities or amendment of our amended and restated certificate of incorporation will require the affirmative vote of at least 66-2/3% of the votes entitled to be cast on such matter, unless such amendment is deemed advisable by the affirmative vote of at least 75% of our board of directors, in which case such amendment will require the affirmative vote of a majority of the votes entitled to be cast on such matter.

Upon completion of this offering, our bylaws may be amended or repealed by a majority vote of our board of directors or, in most cases, by the affirmative vote of the stockholders holding a majority in interest of all the votes entitled to vote upon such amendment or repeal.

### Limitations on Liability and Indemnification of Officers and Directors

Our amended and restated certificate of incorporation and bylaws provide indemnification for our directors and officers to the fullest extent permitted by the DGCL. Prior to the completion of this offering, we intend to enter into indemnification agreements with each of our directors that may, in some cases, be broader than the specific indemnification provisions contained under Delaware law. In addition, as permitted by Delaware law, our amended and restated certificate of incorporation includes provisions that eliminate the personal liability of our directors for monetary damages resulting from breaches of certain fiduciary duties as a director. The effect of this provision is to restrict our rights and the rights of our stockholders in derivative suits to recover monetary damages against a director for breach of fiduciary duties as a director, except that a director will be personally liable for:

- any breach of his duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

- any transaction from which the director derived an improper personal benefit; or
- improper distributions to stockholders.

These provisions may be held not to be enforceable for violations of the federal securities laws of the United States.

### Business Combinations

We have opted out of Section 203 of the DGCL.

### Corporate Opportunities

In recognition that partners, principals, directors, officers, members, managers and/or employees of Certain Sponsors and their affiliates and investment funds, which we refer to as the Corporate Opportunity Entities, may serve as our directors and/or officers, and that the Corporate Opportunity Entities may engage in activities or lines of business similar to those in which we engage, our amended and restated certificate of incorporation provides for the allocation of certain corporate opportunities between us and the Corporate Opportunity Entities. Specifically, none of the Corporate Opportunity Entities has any duty to refrain from engaging, directly or indirectly, in the same or similar business activities or lines of business that we do. In the event that any Corporate Opportunity Entity acquires knowledge of a potential transaction or matter that may be a corporate opportunity for itself and us, we will not have any expectancy in such corporate opportunity, and the Corporate Opportunity Entity will not have any duty to communicate or offer such corporate opportunity to us and may pursue or acquire such corporate opportunity for itself or direct such opportunity to another person. In addition, if a director of our Company who is also a partner, principal, director, officer, member, manager or employee of any Corporate Opportunity Entity acquires knowledge of a potential transaction or matter that may be a corporate opportunity for us and a Corporate Opportunity Entity, we will not have any expectancy in such corporate opportunity. In the event that any other director of ours acquires knowledge of a potential transaction or matter that may be a corporate opportunity for us we will not have any expectancy in such corporate opportunity unless such potential transaction or matter was presented to such director expressly in his or her capacity as such.

### Dissenters' Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, our stockholders will have appraisal rights in connection with a merger or consolidation of the Company. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

### Stockholders' Derivative Actions

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action; provided that the stockholder bringing the action is a holder of our shares at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law and such suit is brought in the Court of Chancery in the State of Delaware.

### Registration Rights Agreement

In connection with this offering, the Company will enter into the Registration Rights Agreement with the Continuing LLC Owners and Certain Sponsors pursuant to which the Continuing LLC Owners and Certain Sponsors will have specified rights to require the Company to register all or any portion of their shares under the Securities Act. See "Certain Relationships and Related Party Transactions—Registration Rights Agreement."

### Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock will be Computershare Trust Company, N.A. The transfer agent's address is 250 Royall Street, Canton, MA 02021 and its telephone number is (800) 884-4225.

### Listing

We have applied to have our Class A common stock listed on the NASDAQ Global Market under the symbol "PETQ."

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there was no public market for our Class A common stock. Future sales of substantial amounts of Class A common stock in the public market (including shares of Class A common stock issuable upon exchange of LLC Interests), or the perception that such sales may occur, could adversely affect the market price of our Class A common stock. Although we expect our Class A common stock to be approved for listing on the NASDAQ Global Market, we cannot assure you that there will be an active public market for our Class A common stock.

Upon the closing of this offering, we will have outstanding an aggregate of shares of Class A common stock, assuming the issuance of shares of Class A common stock offered by us in this offering and the issuance of shares of Class A common stock to Certain Sponsors in the Contribution. Of these shares, all shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act, whose sales would be subject to the Rule 144 resale restrictions described below, other than the holding period requirement.

The remaining shares of Class A common stock (or shares of Class A common stock, including shares of Class A common stock issuable upon exchange of LLC Interests) will be "restricted securities," as that term is defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act, which are summarized below.

### Lock-Up Agreements

We, our executive officers, directors and holders of all of our Class A common stock on the date of this prospectus, who collectively own shares of our Class A common stock, or securities exercisable for or exchangeable into shares of our Class A common stock, including LLC Interests, following this offering, have agreed that, without the prior written consent of Jefferies LLC, we and they will not, subject to limited exceptions, directly or indirectly sell or dispose of any shares of common stock or any securities convertible into or exchangeable or exercisable for shares of common stock for a period of 180 days after the date of this prospectus. Jefferies LLC, in its sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. The lock-up restrictions and specified exceptions are described in more detail under "Underwriting."

### Rule 144

#### *Affiliate Resales of Restricted Securities*

In general, under Rule 144 of the Securities Act as in effect on the date of this prospectus, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is an affiliate of ours, or who was an affiliate at any time during the 90 days before a sale, who has beneficially owned shares of our Class A common stock for at least six months is entitled to sell in "broker's transactions" or certain "riskless principal transactions" or to market makers, a number of shares within any three-month period that does not exceed the greater of:

- 1% of the number of shares of our Class A common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume in our Class A common stock on the NASDAQ Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Affiliate resales under Rule 144 are also subject to the availability of current public information about us. In addition, if the number of shares being sold under Rule 144 by an affiliate during any three-month period exceeds 5,000 shares or has an aggregate sale price in excess of $50,000, the seller must file a notice on Form 144 with the SEC and the NASDAQ Global Market concurrently with either the placing of a sale order with the broker or the execution directly with a market maker.

***Non-Affiliate Resales of Restricted Securities***

In general, under Rule 144, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is not an affiliate of ours at the time of sale, and has not been an affiliate at any time during the 90 days preceding a sale, and who has beneficially owned shares of our Class A common stock for at least six months but less than a year, is entitled to sell such shares subject only to the availability of current public information about us. If such person has held our shares for at least one year, such person can resell under Rule 144(b)(1) without regard to any Rule 144 restrictions, including the 90-day public company requirement and the current public information requirement.

Non-affiliate resales are not subject to the manner of sale, volume limitation or notice filing provisions of Rule 144.

**Rule 701**

In general, pursuant to Rule 701 under the Securities Act, any of an issuer's employees, directors, officers, consultants or advisors who purchases shares from the issuer in connection with a compensatory stock or option plan or other written agreement before the effective date of a registration statement under the Securities Act is entitled to sell such shares 90 days after such effective date in reliance on Rule 144 under the Securities Act. An affiliate of the issuer can resell shares in reliance on Rule 144 without having to comply with the holding period requirement, and non-affiliates of the issuer can resell shares in reliance on Rule 144 without having to comply with the current public information and holding period requirements.

The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of such options, including exercises after an issuer becomes subject to the reporting requirements of the Exchange Act.

**Equity Plans**

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of Class A common stock issued or issuable under our Omnibus Incentive Plan. We expect to file the registration statement covering shares offered pursuant to our Omnibus Incentive Plan shortly after the date of this prospectus, permitting the resale of such shares by non-affiliates in the public market without restriction under the Securities Act and the sale by affiliates in the public market subject to compliance with the resale provisions of Rule 144.

**Registration Rights**

Upon the closing of this offering, the holders of shares of Class A common stock or shares of Class A common stock, including shares of Class A common stock issuable upon exchange of LLC Interests, or their transferees will be entitled to various rights with respect to the registration of these shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. See "Certain Relationships and Related Party Transactions—Registration Rights Agreement" for additional information. Shares covered by a registration statement will be eligible for sale in the public market upon the expiration or release from the terms of the lock-up agreement.

## CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS TO NON-U.S. HOLDERS

The following is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of shares of our Class A common stock issued pursuant to this offering. This summary does not purport to be a complete analysis of all the potential tax consequences or considerations relevant to Non-U.S. Holders of shares of our Class A common stock. This summary is based upon the Internal Revenue Code, the Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change or differing interpretations at any time, possibly with retroactive effect.

This summary assumes that shares of our Class A common stock are held by a Non-U.S. Holder as "capital assets" within the meaning of Section 1221 of the Internal Revenue Code (generally, property held for investment). This summary does not purport to deal with all aspects of U.S. federal income taxation that might be relevant to particular Non-U.S. Holders in light of their particular investment circumstances or status, nor does it address specific tax considerations that may be relevant to particular persons subject to special treatment under U.S. federal income tax laws (including, for example, financial institutions, broker-dealers, insurance companies, partnerships or other pass-through entities or arrangements, certain U.S. expatriates or former long-term residents of the U.S., tax-exempt organizations, pension plans, "controlled foreign corporations," "passive foreign investment companies," corporations that accumulate earnings to avoid U.S. federal income tax, or persons in special situations, such as those who have elected to mark securities to market or those who hold shares of our Class A common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment). In addition, this summary does not address estate or any gift tax considerations or considerations arising under the tax laws of any state, local or non-U.S. jurisdiction or any considerations relating to the alternative minimum tax or the 3.8% tax on net investment income.

For purposes of this summary, a "Non-U.S. Holder" means a beneficial owner of shares of our Class A common stock that, for U.S. federal income tax purposes, is an individual, corporation, estate or trust other than:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other organization classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is included in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a U.S. court is able to exercise primary supervision over the trust's administration and one or more U.S. persons (as defined in the Internal Revenue Code) have the authority to control all of the trust's substantial decisions or (ii) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds shares of our Class A common stock, the tax treatment of persons treated as its partners for U.S. federal income tax purposes will generally depend upon the status of the partner and the activities of the partnership. Partnerships and other entities that are classified as partnerships for U.S. federal income tax purposes and persons holding our Class A common stock through a partnership or other entity classified as a partnership for U.S. federal income tax purposes are urged to consult their own tax advisors.

There can be no assurance that the IRS will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS or an opinion of counsel with respect to the U.S. federal income tax consequences to a Non-U.S. Holder of the purchase, ownership or disposition of shares of our Class A common stock.

**THIS SUMMARY IS NOT INTENDED TO BE TAX ADVICE. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAXATION AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF SHARES OF OUR CLASS A COMMON STOCK, AS WELL AS THE APPLICATION OF STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX LAWS.**

### Distributions on shares of our Class A common stock

As discussed under "Dividend Policy" above, we do not currently anticipate paying cash dividends on shares of our Class A common stock in the foreseeable future. In the event that we do make a distribution of cash or property with respect to shares of our Class A common stock, any such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits as determined under U.S. federal income tax principles, and will be subject to withholding as described in the next paragraph below. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the Non-U.S. Holder's investment, up to such holder's adjusted tax basis in its shares of our Class A common stock, as determined on a share-per-share basis. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in "—Gain on sale, exchange or other taxable disposition of shares of our Class A common stock."

Any dividends paid to a Non-U.S. Holder with respect to shares of our Class A common stock generally will be subject to a 30% U.S. federal withholding tax unless such Non-U.S. Holder provides the applicable withholding agent with an appropriate and validly completed IRS Form W-8, such as:

- IRS Form W-8BEN (or successor form) or IRS Form W-8BEN-E (or successor form) certifying, under penalties of perjury, that such Non-U.S. Holder is entitled to a reduced rate of withholding tax under an applicable income tax treaty; or
- IRS Form W-8ECI (or successor form) certifying, under penalties of perjury, that a dividend paid on shares of our Class A common stock is not subject to withholding tax because it is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (in which case such dividend generally will be subject to regular graduated U.S. federal income tax rates on a net income basis as described below).

The certifications described above must be provided to the applicable withholding agent prior to the payment of dividends and must be updated periodically. The certification also may require a Non-U.S. Holder that provides an IRS form or that claims treaty benefits to provide its U.S. taxpayer identification number. Special certification and other requirements apply in the case of certain Non-U.S. Holders that are intermediaries or pass-through entities for U.S. federal income tax purposes.

If dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base maintained by such Non-U.S. Holder in the United States), the Non-U.S. Holder, although exempt from the withholding tax described above (provided that the certifications described above are satisfied), generally will be subject to U.S. federal income tax on such dividends on a net income basis at the regular, graduated rates in the same manner as if such Non-U.S. Holder were a resident of the U.S. In addition, if such Non-U.S. Holder is classified as a corporation for U.S. federal income tax purposes, such Non-U.S. Holder may be subject to an additional "branch profits tax" equal to 30% of such effectively connected dividends, as adjusted for certain items, for the taxable year, unless an applicable income tax treaty provides otherwise.

Non-U.S. Holders that do not timely provide the applicable withholding agent with the required certification, but which are eligible for a reduced rate of U.S. federal withholding tax pursuant to an applicable income tax treaty may obtain a refund or credit of any excess amount withheld by timely filing an appropriate claim for refund with the IRS.

Any distribution described in this section would also be subject to the discussion below in the section entitled "—Foreign Account Tax Compliance Act."

### Gain on sale, exchange or other taxable disposition of shares of our Class A common stock

Subject to the discussion below under "—Backup withholding and information reporting" and "—Foreign Account Tax Compliance Act," in general, a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax on any gain realized upon such holder's sale, exchange or other disposition of shares of our Class A common stock (including a redemption, but only if the redemption would be treated as a sale or exchange rather than a distribution for U.S. federal income tax purposes) unless (i) such Non-U.S. Holder is a nonresident alien individual who is present in the U.S. for 183 days or more in the taxable year of disposition and certain other conditions are met, (ii) we are or have been a "U.S. real property holding corporation," as defined in the Internal Revenue Code (a "USRPHC"), at any time within the shorter of the five-year period preceding the disposition and the Non-U.S. Holder's holding period with respect to the applicable shares of our Class A common stock (the "relevant period") and certain other conditions are met, or (iii) such gain is effectively connected with such Non-U.S. Holder's conduct of a trade or business in the U.S. (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base maintained by such Non-U.S. Holder in the U.S.).

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (unless an applicable income tax treaty provides otherwise) on the amount by which such Non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the disposition, provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the second exception above, we believe we are not, and we do not currently anticipate becoming, a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of other business assets, there can be no assurance that we are not currently or will not become a USRPHC in the future. Generally, a corporation is a USRPHC only if the fair market value of its U.S. real property interests (as defined in the Internal Revenue Code) equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus certain other assets used or held for use in a trade or business. Even if we are or become a USRPHC, a Non-U.S. Holder would not be subject to U.S. federal income tax on a sale, exchange or other taxable disposition of our Class A common stock by reason of our status as a USRPHC so long as (a) our Class A common stock is regularly traded on an established securities market (within the meaning of Internal Revenue Code Section 897(c)(3) and the Treasury Regulations issued thereunder) during the calendar year in which such sale, exchange or other taxable disposition of our Class A common stock occurs and (b) such Non-U.S. Holder does not own and is not deemed to own (directly, indirectly or constructively) more than 5% of our Class A common stock at any time during the relevant period. If we are a USRPHC and the requirements of (a) or (b) are not met, gain on the disposition of shares of our Class A common stock generally will be taxed in the same manner as gain that is effectively connected with the conduct of a U.S. trade or business, except that the "branch profits tax" generally will not apply. Prospective investors are urged to consult their own tax advisors regarding the possible consequences to them if we are, or were to become, a USRPHC.

If the third exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax on a net income basis with respect to such gain at the regular, graduated rates in the same manner as if such holder were a resident of the U.S., unless otherwise provided in an applicable income tax treaty. In addition, a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a "branch profits tax" on such effectively connected gain, as adjusted for certain items, at a rate of 30%, unless an applicable income tax treaty provides otherwise.

### Foreign Account Tax Compliance Act

Legislation commonly referred to as the Foreign Account Tax Compliance Act, as modified by Treasury regulations and subject to any official interpretations thereof, any applicable intergovernmental agreement between the U.S. and non-U.S. government to implement these rules and improve international tax compliance, or any fiscal or regulatory legislation or rules adopted pursuant to any such intergovernmental agreement (collectively, "FATCA"), generally will impose a U.S. federal withholding tax of 30% on payments to certain non-U.S. entities (including certain intermediaries), including dividends on and the gross proceeds from a sale or other disposition of our Class A common stock unless such persons comply with complicated U.S. information reporting, disclosures and

certification requirements. This regime requires, among other things, a broad class of persons to obtain, disclose and report information about their investors and account holders. These requirements are different from and in addition to the certification requirements described elsewhere in this discussion. The withholding rules apply currently to payments of dividends on shares of our Class A common stock, and are scheduled to apply to payments of gross proceeds from the sale or other dispositions of our Class A common stock that occurs after December 31, 2018. If a dividend payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under "—Distributions on shares of our Class A common stock," the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. Prospective investors should consult their own tax advisors regarding the possible impact of these rules on their investment in our Class A common stock, and the entities through which they hold our Class A common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of this 30% withholding tax under FATCA.

### Backup withholding and information reporting

We or a financial intermediary must report annually to the IRS and to each Non-U.S. Holder the gross amount of the distributions on shares of our Class A common stock paid to such holder and the tax withheld, if any, with respect to such distributions. These information reporting requirements apply even if withholding was not required. In addition to the requirements described above under "—Foreign Account Tax Compliance Act," a Non-U.S. Holder generally will be subject to backup withholding at the then applicable rate for dividends paid to such holder unless such holder furnishes a valid IRS Form W-8BEN or IRS Form W-8BEN-E (or such other applicable form and documentation as required by the Internal Revenue Code or the Treasury regulations promulgated thereunder) certifying under penalties of perjury that it is a Non-U.S. Holder (and the payor does not have actual knowledge or reason to know that such holder is a U.S. person as defined under the Internal Revenue Code). Dividends paid to Non-U.S. Holders subject to the U.S. federal withholding tax, as described above under "—Distributions on shares of our Class A common stock," generally will be exempt from U.S. backup withholding.

Information reporting and backup withholding will generally apply to the payment of the proceeds of a disposition of shares of our Class A common stock by a Non-U.S. Holder effected by or through the U.S. office of any broker, U.S. or non-U.S., unless the holder certifies that it is not a U.S. person (as defined in the Internal Revenue Code) and satisfies certain other requirements, or otherwise establishes an exemption. For information reporting purposes, dispositions effected through a non-U.S. office of a broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker, and dispositions otherwise effected through a non-U.S. office generally will not be subject to information reporting. Generally, backup withholding will not apply to a payment of disposition proceeds to a Non-U.S. Holder where the transaction is effected through a non-U.S. office of a U.S. broker or non-U.S. office of a non-U.S. broker. Prospective investors are urged to consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Copies of information returns may be made available to the tax authorities of the country in which the Non-U.S. Holder resides or is incorporated, under the provisions of a specific treaty or agreement.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment made to a Non-U.S. Holder can be refunded or credited against such Non-U.S. Holder's U.S. federal income tax liability, if any, provided that an appropriate claim is timely filed with the IRS.

## UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement, dated , 2017, among us and Jefferies LLC, as the representative of the underwriters named below, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the respective number of shares of common stock shown opposite its name below:

| UNDERWRITER | NUMBER OF SHARES |
|---|---|
| Jefferies LLC | $ |
| William Blair & Company, L.L.C. | |
| Oppenheimer & Co. Inc. | |
| Raymond James & Associates, Inc. | |
| SunTrust Robinson Humphrey, Inc. | |
| Total | $ |

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers' certificates and legal opinions and approval of certain legal matters by their counsel. The underwriting agreement provides that the underwriters will purchase all of the shares of common stock if any of them are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated. We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

The underwriters have advised us that, following the completion of this offering, they currently intend to make a market in the common stock as permitted by applicable laws and regulations. However, the underwriters are not obligated to do so, and the underwriters may discontinue any market-making activities at any time without notice in their sole discretion. Accordingly, no assurance can be given as to the liquidity of the trading market for the common stock, that you will be able to sell any of the common stock held by you at a particular time or that the prices that you receive when you sell will be favorable.

The underwriters are offering the shares of common stock subject to their acceptance of the shares of common stock from us and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. In addition, the underwriters have advised us that they do not intend to confirm sales to any account over which they exercise discretionary authority.

### Commission and Expenses

The underwriters have advised us that they propose to offer the shares of common stock to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers, which may include the underwriters, at that price less a concession not in excess of $ per share of common stock. The underwriters may allow, and certain dealers may reallow, a discount from the concession not in excess of $ per share of common stock to certain brokers and dealers. After the offering, the initial public offering price, concession and reallowance to dealers may be reduced by the representative. No such reduction will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus.

The following table shows the public offering price, the underwriting discounts and commissions that we are to pay the underwriters and the proceeds, before expenses, to us in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

| | PER SHARE | | TOTAL | |
|---|---|---|---|---|
| | WITHOUT OPTION TO PURCHASE ADDITIONAL SHARES | WITH OPTION TO PURCHASE ADDITIONAL SHARES | WITHOUT OPTION TO PURCHASE ADDITIONAL SHARES | WITH OPTION TO PURCHASE ADDITIONAL SHARES |
| Public offering price | $ | $ | $ | $ |
| Underwriting discounts and commissions paid by us | $ | $ | $ | $ |
| Proceeds to us, before expenses | $ | $ | $ | $ |

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately $ .

### Determination of Offering Price

Prior to this offering, there has not been a public market for our common stock. Consequently, the initial public offering price for our common stock will be determined by negotiations between us and the representative. Among the factors to be considered in these negotiations will be prevailing market conditions, our financial information, market valuations of other companies that we and the underwriters believe to be comparable to us, estimates of our business potential, the present state of our development and other factors deemed relevant.

We offer no assurances that the initial public offering price will correspond to the price at which the common stock will trade in the public market subsequent to the offering or that an active trading market for the common stock will develop and continue after the offering.

### Listing

We have applied to have our common stock approved for listing on the NASDAQ Global Market under the trading symbol "PETQ."

### Stamp Taxes

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

### Option to Purchase Additional Shares

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of shares from us at the public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions. If the underwriters exercise this option, each underwriter will be obligated, subject to specified conditions, to purchase a number of additional shares proportionate to that underwriter's initial purchase commitment as indicated in the table above. This option may be exercised only if the underwriters sell more shares than the total number set forth on the cover page of this prospectus.

### No Sales of Similar Securities

We, our officers, directors and holders of all or substantially all our outstanding capital stock and other securities have agreed, subject to specified exceptions, not to directly or indirectly:

- sell, offer, contract or grant any option to sell (including any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-l(h) under the Exchange Act, or

- otherwise dispose of any shares of common stock, options or warrants to acquire shares of common stock, or securities exchangeable or exercisable for or convertible into shares of common stock currently or hereafter owned either of record or beneficially, or
- publicly announce an intention to do any of the foregoing for a period of 180 days after the date of this prospectus without the prior written consent of Jefferies LLC.

The foregoing restrictions do not apply to:

- the sale of shares pursuant to this offering;
- sales of shares of common stock or other securities acquired in open market transactions after completion of this offering; provided that any such sale does not require a filing pursuant to Section 16(a) of the Exchange Act and no such filing shall be made voluntarily;
- the contribution, transfer, sale or distribution of shares of common stock necessary to effectuate the Transactions; and
- sales or transfers pursuant to a bona fide third party tender offer, merger, consolidation or other similar transaction made to holders of Class A common stock and involving a change or control of the Company; and
- other customary exceptions, including transfers of shares of common stock or any securities convertible into common stock (i) as bona fide gifts, (ii) by will or intestacy or (iii) to limited partners, members, subsidiaries, stockholders, affiliates or controlled or managed investment funds; provided that any transferee pursuant to clauses (i), (ii) or (iii) agrees to the applicable lock-up restrictions and that any such transfer does not require a filing pursuant to Section 16(a) of the Exchange Act other than on a Form 5 and no such filing shall be made voluntarily.

These restrictions terminates after the close of trading of the common stock on and including the 180th day after the date of this prospectus.

Jefferies LLC may, in its sole discretion and at any time or from time to time before the termination of the 180-day period release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any of our shareholders who will execute a lock-up agreement, providing consent to the sale of shares prior to the expiration of the lock-up period.

### Stabilization

The underwriters have advised us that they, pursuant to Regulation M under the Exchange Act, certain persons participating in the offering may engage in short sale transactions, stabilizing transactions, syndicate covering transactions or the imposition of penalty bids in connection with this offering. These activities may have the effect of stabilizing or maintaining the market price of the common stock at a level above that which might otherwise prevail in the open market. Establishing short sales positions may involve either “covered” short sales or “naked” short sales.

“Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares of our common stock in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares of our common stock or purchasing shares of our common stock in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option to purchase additional shares.

“Naked” short sales are sales in excess of the option to purchase additional shares of our common stock. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering.

A stabilizing bid is a bid for the purchase of shares of common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the common stock. A syndicate covering transaction is the bid for or the purchase of shares of common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. Similar to other purchase transactions, the underwriter's purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. A penalty bid is an arrangement permitting the underwriters to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if the common stock originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member.

None of we, the selling shareholders nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

The underwriters may also engage in passive market making transactions in our common stock on The NASDAQ Global Market in accordance with Rule 103 of Regulation M during a period before the commencement of offers or sales of shares of our common stock in this offering and extending through the completion of distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, that bid must then be lowered when specified purchase limits are exceeded.

### Electronic Distribution

A prospectus in electronic format may be made available by e-mail or on the web sites or through online services maintained by one or more of the underwriters or their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares of common stock for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' web sites and any information contained in any other web site maintained by any of the underwriters is not part of this prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.

### Other Activities and Relationships

The underwriters and certain of their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their respective affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for us and our affiliates, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriter and certain of its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments issued by us and our affiliates. If the underwriters or their respective affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. The underwriters and their respective affiliates may hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the common stock offered hereby. Any such short positions could adversely affect future trading prices of the common stock offered hereby. The underwriters and certain of their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## Selling Restrictions

### *Notice to Canadian Residents*

*Resale Restrictions*

The distribution of the shares of common stock in Canada is being made only in the provinces of Ontario, Quebec, Alberta and British Columbia on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of the shares of common stock in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the securities.

*Representations of Canadian Purchasers*

By purchasing the shares of common stock in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the shares of common stock without the benefit of a prospectus qualified under those securities laws as it is an “accredited investor” as defined under National Instrument 45-106—Prospectus Exemptions,
- the purchaser is a “permitted client” as defined in National Instrument 31-103—Registration Requirements, Exemptions and Ongoing Registrant Obligations,
- where required by law, the purchaser is purchasing as principal and not as agent, and
- the purchaser has reviewed the text above under Resale Restrictions.

*Conflicts of Interest*

Canadian purchasers are hereby notified that each of Jefferies LLC and William Blair & Company, L.L.C., is relying on the exemption set out in section 3A.3 or 3A.4, if applicable, of National Instrument 33-105 – Underwriting Conflicts from having to provide certain conflict of interest disclosure in this document.

*Statutory Rights of Action*

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the offering memorandum (including any amendment thereto) such as this document contains a misrepresentation; provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser of these securities in Canada should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

*Enforcement of Legal Rights*

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

*Taxation and Eligibility for Investment*

Canadian purchasers of the shares of common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the shares of common stock in their particular circumstances and about the eligibility of the shares of common stock for investment by the purchaser under relevant Canadian legislation.

### *European Economic Area*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) an offer to the public of any shares of our Class A common stock has not been made and may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the shares of our Class A common stock which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in

that Relevant Member State of any shares of our Class A common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Jefferies LLC and William Blair & Company, L.L.C. for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares of our Class A common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any shares of our Class A common stock or to whom any offer is made will be deemed to have represented, acknowledged and agreed with Jefferies LLC and William Blair & Company, L.L.C. and us that it is a qualified investor within the meaning of the law of the Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive or any measure implementing the Prospectus Directive in any Relevant Member State.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares of our Class A common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our Class A common stock to be offered so as to enable an investor to decide to purchase any shares of our Class A common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

In the case of any shares of our Class A common stock being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the shares of our Class A common stock acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any shares of our Class A common stock to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of Jefferies LLC has been obtained to each such proposed offer or resale. We, Jefferies LLC and William Blair & Company, L.L.C. and their affiliates, and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified Jefferies LLC and William Blair & Company, L.L.C. of such fact in writing may, with the prior consent of Jefferies LLC and William Blair & Company, L.L.C., be permitted to acquire shares of our Class A common stock in the offer.

***United Kingdom***

Each underwriter:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of Financial Services and Markets Act 2000, as amended (the “FSMA”)) in connection with the sale or issue of common stock in circumstances in which section 21 of FSMA does not apply to such underwriter; and
- has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the shares of common stock in, from, or otherwise involving the United Kingdom.

This prospectus is directed solely at persons (i) who are outside the United Kingdom or (ii) in the United Kingdom, who: (A) have professional experience in matters relating to investments and who fall within the definition of

“investment professionals” in Article 19(5) of the Financial Services and Markets Act (Financial Promotion) Order 2005 (the “Order”) (B) are high net worth entities and other persons falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Accordingly, by accepting delivery of this prospectus, the recipient warrants and acknowledges that it is such a relevant person. This prospectus must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this prospectus relates is available only to relevant persons and will be engaged in with relevant persons only.

***Switzerland***

This document is not intended to constitute an offer or solicitation to purchase or invest in the shares described herein. The shares may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this document nor any other offering or marketing material relating to the shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, nor the Company nor the shares have been or will be filed with or approved by any Swiss regulatory authority. The shares are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA (FINMA), and investors in the shares will not benefit from protection or supervision by such authority.

## LEGAL MATTERS

The validity of the Class A common stock offered hereby will be passed upon for us by Winston & Strawn LLP, Chicago, Illinois. Certain legal matters in connection with this offering will be passed upon for the underwriters by Latham & Watkins LLP, Chicago, Illinois.

## EXPERTS

The consolidated financial statements of PetIQ, LLC and subsidiaries as of December 31, 2016 and December 31, 2015 and for the years ended December 31, 2016 and December 31, 2015, and the balance sheets of PetIQ, Inc. as of February 29, 2016 and December 31, 2016 have been included herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of Class A common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed therewith. For further information about us and the Class A common stock offered hereby, reference is made to the registration statement and the exhibits filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and in each instance we refer you to the copy of such contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits filed therewith may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street, NE, Washington, DC 20549, and copies of all or any part of the registration statement may be obtained from that office upon the payment of the fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act and, in accordance therewith, we will file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information will be available for inspection and copying at the public reference room and website of the SEC referred to above.

## INDEX TO FINANCIAL STATEMENTS



Financial statements on next page.

**PETIQ, INC.**

**Unaudited Balance Sheets**

| | MARCH 31, 2017 (Unaudited) | DECEMBER 31, 2016 |
|---|---|---|
| Assets | $ — | $ — |
| Commitments and contingencies | | |
| Stockholder's Equity | — | — |
| Common Stock, par value $.001 per share | | |
| 1000 shares authorized, none issued and outstanding | — | — |

See accompanying notes to the unaudited balance sheets.

## NOTES TO UNAUDITED BALANCE SHEETS

### 1. Organization

PetIQ, Inc. (the “Corporation”) was formed as a Delaware corporation on February 29, 2016. The Corporation was formed for the purpose of completing a public offering and related transactions in order to carry on the business of PetIQ, LLC, an Idaho limited liability company. The Corporation will be the sole managing member of PetIQ Holdings, LLC, a Delaware limited liability company which is the sole member of PetIQ, LLC and, through PetIQ Holdings, LLC, will operate and control all of the businesses and affairs of PetIQ, LLC and continue to conduct the business now conducted by PetIQ, LLC and its subsidiaries. The Corporation’s fiscal year end is December 31.

### 2. Summary of Significant Accounting Policies

*Basis of Accounting*—The balance sheets are presented in accordance with accounting principles generally accepted in the United States of America. Separate statements of operations, comprehensive income, changes in stockholder’s equity, and cash flows have not been presented in the financial statements because there have been no activities in this entity.

### 3. Stockholder’s Equity

The Corporation is authorized to issue 1,000 shares of Common Stock, par value $0.001 per share, none of which have been issued or are outstanding.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
PetIQ, Inc.:

We have audited the accompanying balance sheets of PetIQ, Inc. as of December 31, 2016 and February 29, 2016. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of PetIQ, Inc. as of December 31, 2016 and February 29, 2016, in conformity with U.S. generally accepted accounting principles.

(signed) KPMG LLP

Boise, Idaho
May 19, 2017

**PETIQ, INC.**

**Balance Sheets**

| | DECEMBER 31, 2016 | FEBRUARY 29, 2016 |
|---|---|---|
| Assets | $ — | $ — |
| Commitments and contingencies | | |
| Stockholder's Equity | — | — |
| Common Stock, par value $.001 per share | | |
| 1000 shares authorized, none issued and outstanding | — | — |

See accompanying notes to the balance sheets.

## NOTES TO BALANCE SHEETS

### 1. Organization

PetIQ, Inc. (the “Corporation”) was formed as a Delaware corporation on February 29, 2016. The Corporation was formed for the purpose of completing a public offering and related transactions in order to carry on the business of PetIQ, LLC, an Idaho limited liability company. The Corporation will be the sole managing member of PetIQ Holdings, LLC, a Delaware limited liability company which is the sole member of PetIQ, LLC and, through PetIQ Holdings, LLC, will operate and control all of the businesses and affairs of PetIQ, LLC and continue to conduct the business now conducted by PetIQ, LLC and its subsidiaries. The Corporation’s fiscal year end is December 31.

### 2. Summary of Significant Accounting Policies

*Basis of Accounting*—The balance sheets are presented in accordance with accounting principles generally accepted in the United States of America. Separate statements of operations, comprehensive income, changes in stockholder’s equity, and cash flows have not been presented in the financial statements because there have been no activities in this entity.

### 3. Stockholder’s Equity

The Corporation is authorized to issue 1,000 shares of Common Stock, par value $0.001 per share, none of which have been issued or are outstanding.

**PETIQ, LLC**

**Condensed Consolidated Balance Sheets**
(Unaudited, dollars in thousands)

| | MARCH 31, 2017 | DECEMBER 31, 2016 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 1,376 | $ 767 |
| Accounts receivable, net of allowance for doubtful accounts | 27,327 | 17,195 |
| Inventories | 48,054 | 34,232 |
| Supplier prepayments | 2,561 | 2,985 |
| Other current assets | 3,041 | 1,358 |
| Total current assets | 82,359 | 56,537 |
| Property, plant and equipment, net | 12,842 | 13,044 |
| Restricted cash and deposits | 250 | 250 |
| Other non-current assets | 2,709 | 2,826 |
| Intangible assets, net of accumulated amortization | 3,849 | 4,054 |
| Goodwill | 4,697 | 4,619 |
| Total assets | $ 106,706 | $ 81,330 |
| Liabilities and member's equity | | |
| Current liabilities | | |
| Accounts payable | $ 12,502 | $ 9,333 |
| Accrued wages payable | 669 | 1,100 |
| Accrued interest payable | 173 | 44 |
| Other accrued expenses | 326 | 277 |
| Current portion of long-term debt and capital leases | 2,541 | 2,321 |
| Total current liabilities | 16,211 | 13,075 |
| Non-current liabilities | | |
| Long-term debt | 42,990 | 25,158 |
| Obligations under capital leases, less current installments | 412 | 434 |
| Deferred acquisition liability | 1,330 | 1,303 |
| Other non-current liabilities | 364 | 378 |
| Total non-current liabilities | 45,096 | 27,273 |
| Commitments and contingencies | | |
| Equity | | |
| Member's equity | 47,219 | 42,941 |
| Accumulated other comprehensive loss | (1,799) | (1,940) |
| Total member's equity | 45,420 | 41,001 |
| Non-controlling interest | (21) | (19) |
| Total equity | 45,399 | 40,982 |
| Total liabilities and equity | $ 106,706 | $ 81,330 |

See accompanying notes to the condensed consolidated financial statements

**PETIQ, LLC**

**Condensed Consolidated Statements of Comprehensive Income (Loss)**
Three months ended March 31,
(Unaudited, dollars in thousands)

| | 2017 | 2016 |
|---|---|---|
| Net sales | $67,029 | $52,298 |
| Cost of sales | 54,829 | 42,526 |
| Gross profit | 12,200 | 9,772 |
| Operating expenses | | |
| General and administrative expenses | 7,405 | 8,063 |
| Operating income | 4,795 | 1,709 |
| Interest expense, net | 464 | 901 |
| Foreign currency loss, net | 49 | 121 |
| Loss on debt extinguishment | — | 993 |
| Other expense (income), net | 3 | (2) |
| Total other expense, net | 516 | 2,013 |
| Net income (loss) | 4,279 | (304) |
| Net (loss) income attributable to noncontrolling interest | (2) | 1 |
| Net income (loss) attributable to member | $ 4,281 | $ (305) |
| Comprehensive income (loss) | | |
| Net income (loss) | $ 4,279 | $ (304) |
| Foreign currency translation adjustment | 141 | (343) |
| Comprehensive income (loss) | 4,420 | (647) |
| Comprehensive (loss) income attributable to noncontrolling interest | (2) | 1 |
| Comprehensive income (loss) attributable to member | $ 4,422 | $ (648) |
| Unaudited pro forma financial information (Note 12) | | |
| Historical income (loss) before taxes | | |
| Pro forma provision for income taxes | $ | |
| Pro forma net income (loss) | | |
| Pro forma net loss attributable to noncontrolling interest | | |
| Pro forma net loss attributable to member | $ | |
| Pro forma net income (loss) per share | | |
| Basic | $ | |
| Diluted | $ | |
| Pro forma weighted average shares of Class A common stock outstanding | | |
| Basic | | |
| Diluted | | |

See accompanying notes to the condensed consolidated financial statements

**PETIQ, LLC**

**Condensed Consolidated Statements of Cash Flows**
Three months ended March 31,
(Unaudited, dollars in thousands)

| | 2017 | 2016 |
|---|---|---|
| Cash flows from operating activities | | |
| Net income (loss) | $ 4,279 | $ (304) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities | | |
| Depreciation and amortization of intangible assets and loan fees | 851 | 1,276 |
| Loss on disposition of property | 8 | 49 |
| Foreign exchange loss on liabilities | 29 | 102 |
| Changes in assets and liabilities | | |
| Accounts receivable | (9,515) | (4,279) |
| Inventories | (13,813) | (5,447) |
| Prepaid expenses and other assets | (1,765) | 3,085 |
| Accounts payable | 3,334 | 2,536 |
| Accrued wages payable | (444) | (596) |
| Other accrued expenses | 181 | (16) |
| Net cash used in operating activities | (16,855) | (3,594) |
| Cash flows from investing activities | | |
| Purchase of property, plant, and equipment and intangibles | (518) | (753) |
| Net cash used in investing activities | (518) | (753) |
| Cash flows from financing activities | | |
| Proceeds from issuance of long term debt | 74,800 | 63,952 |
| Principal payments on long term debt | (56,770) | (67,737) |
| Change in restricted cash | — | 6,894 |
| Principal payments on capital lease obligations | (28) | (20) |
| Payment of deferred financing fees and debt discount | (25) | (218) |
| Net cash provided by financing activities | 17,977 | 2,871 |
| Net change in cash and cash equivalents | 604 | (1,476) |
| Effect of exchange rate changes on cash and cash equivalents | 5 | (70) |
| Cash and cash equivalents, beginning of period | 767 | 3,250 |
| Cash and cash equivalents, end of period | $ 1,376 | $ 1,704 |
| Supplemental cash flow | | |
| Interest paid | $ 292 | $ 767 |
| Property, plant, and equipment acquired through accounts payable | (178) | (6) |
| Capital lease additions | — | 27 |

See accompanying notes to the condensed consolidated financial statements

**PETIQ, LLC AND SUBSIDIARIES**

**Notes to condensed consolidated financial statements**
(dollars in thousands)

## Note 1—Principal Business Activity and Significant Accounting Policies

***Principal Business Activity and Principals of Consolidation***

PetIQ, LLC and Subsidiaries (the Company) is a manufacturer and wholesale distributor of over-the-counter and prescription pet medications and pet wellness products to various retail customers and distributors throughout the United States and Europe. The Company is headquartered in Eagle, Idaho and manufactures and distributes products from facilities in Florida, Texas, Utah, and Europe.

The operating agreement of the Company limits each member's liability to the maximum extent allowed.

The accompanying unaudited consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. The unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these interim financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. All intercompany transactions and balances have been eliminated in consolidation.

The condensed consolidated financial statements as of March 31, 2017 and December 31, 2016 and for the three months ended March 31, 2017 and 2016 are unaudited. The condensed consolidated balance sheet as of December 31, 2016 has been derived from the audited financial statements at that date but does not include all of the disclosures required by U.S. GAAP. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2016 and related notes thereto included elsewhere in this prospectus. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property, plant, and equipment; allowance for doubtful accounts; the valuation of property, plant, and equipment, intangible assets and goodwill, inventories and notes receivable; and reserves for legal contingencies.

***Foreign Currencies***

The Company operates subsidiaries in foreign countries who use the local currency as the functional currency. The Company translates its foreign subsidiaries' assets and liabilities denominated in foreign currencies into U.S. dollars at current rates of exchange as of the balance sheet date and income and expense items at the average exchange rate for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded in the cumulative translation account, a component of accumulated other comprehensive income. The Company records gains and losses from changes in exchange rates on transactions denominated in currencies other than each reporting location's functional currency in net income (loss) for each period.

***Cash and Cash Equivalents***

Cash equivalents consist of highly liquid investments with an original maturity of three months or less, excluding amounts restricted for various state licensing regulations. Restricted deposits are not considered cash and cash equivalents. The Company maintains its cash accounts in various deposit accounts, the balances of which at times exceeded federal deposit insurance limits during the periods presented.

***Receivables and Credit Policy***

Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within a set number from the invoice date. Accounts receivable are stated at the amount billed to the customer, net of discounts and estimated deductions. The Company does not have a policy for charging interest on overdue customer account balances. The Company provides an allowance for doubtful accounts equal to estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice.

The Company also has notes receivable due from various suppliers included in accounts receivable. The notes bear interest at 0% to 4% and are repaid based on either amortization schedules or from certain sales to third parties. Non-current portions of these notes receivable are included in other non-current assets on the consolidated balance sheet.

Accounts receivable consists of the following as of:

| | MARCH 31, 2017 | DECEMBER 31, 2016 |
|---|---|---|
| Trade receivables | $ 28,432 | $ 18,086 |
| Notes receivable | 377 | 440 |
| | 28,809 | 18,526 |
| Less: Allowance for doubtful accounts | (590) | (498) |
| Non-current portion of receivables | (892) | (833) |
| Total accounts receivable, net | $ 27,327 | $ 17,195 |

***Inventories***

Inventories are stated at the lower of cost or net realizable value. Cost is typically determined using the first-in first-out ("FIFO") method. The Company maintains reserves for estimated obsolete or unmarketable inventory based on the difference between the cost of inventory and its estimated net realizable value. In estimating the reserves, management considers factors such as excess or slow-moving inventories, product expiration dating, and market conditions. Changes in these conditions may result in additional reserves. Major components of inventories were as follows as of March 31, 2017 and December 31, 2016:

| | MARCH 31, 2017 | DECEMBER 31, 2016 |
|---|---|---|
| Raw materials and work in progress | $ 5,866 | $ 5,924 |
| Finished goods | 42,188 | 28,308 |
| Total inventories | $ 48,054 | $ 34,232 |

***Property, Plant, and Equipment***

Property, plant, and equipment are recorded at cost. Expenditures for improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation and amortization is provided using the straight-line method, based on useful lives of the assets, except for leasehold improvements and capital leased assets which are depreciated over the shorter of the expected useful life or the lease term. Depreciation and amortization expense is recorded in cost of sales or general and administrative expenses in the consolidated statements of comprehensive income, depending on the use of the asset. The estimated useful lives of property, plant, and equipment are as follows:

| | |
|---|---|
| Computer equipment and software | 3 years |
| Buildings | 33 years |
| Equipment | 2-15 years |
| Leasehold improvements | 3-9 years |
| Furniture and fixtures | 8-10 years |

Depreciation expense for the three months ended March 31, 2017 and 2016 was $536 and $476, respectively.

***Restricted Cash and Deposits***

Restricted cash consists of amounts of cash required to be held by the Company's lender in the event that normal collateral is not sufficient to allow for full borrowings on the Company's previous term loan. Refer to Note 4, Debt, for more information. No restricted cash was held as of March 31, 2017 or December 31, 2016.

Restricted deposits are amounts required to be held by the Company in segregated accounts for various state licensing regulations in relation to the sale of regulated prescription pet medications. Restricted deposits as of March 31, 2017 and December 31, 2016 were $250 and $250, respectively. Interest earned on restricted deposits is included in other income when earned.

***Deferred Acquisition Liability***

The Company has a deferred acquisition liability related to an acquisition that occurred in 2013. The liability is denominated in Euros and requires annual payments based on a percentage of gross profit from the sales of certain products, and any amounts not repaid by the annual payments will be due in June 2018. The current balance recorded as of March 31, 2017 and December 31, 2016 was $250 and $250, respectively, and is included in other accrued expenses. The non-current portion recorded as of March 31, 2017 and December 31, 2016 was $1,330 and $1,303, respectively, and is included in deferred acquisition liability.

***Revenue Recognition***

The Company recognizes revenue when persuasive evidence of an arrangement exists, product has been delivered, the price is fixed or determinable and collectability is reasonably assured. The Company generally records revenues from product sales when the goods are shipped to the customer. For customers with Free on Board ("FOB") destination terms, a provision is recorded to exclude shipments determined to be in-transit to these customers at the end of the reporting period. A sales return allowance is recorded and accounts receivable are reduced as revenues are recognized for estimated losses on credit sales due to customer claims for discounts, returned goods and other items.

The Company offers a variety of trade promotions and incentives to our customers, such as cooperative advertising programs and in-store displays. Sales are recorded net of trade promotion spending, which is recognized at the later of the date on which the Company recognizes the related revenue or the date on which the Company offers the incentive. The Company's net sales are periodically influenced by the timing, extent and amount of such trade promotions and incentives. Accruals for expected payouts under these programs are included in other accrued expenses.

***Shipping and Handling Costs***

Shipping and handling costs are recorded as cost of sales, and are not billed to customers.

***Research and Development and Advertising Costs***

Research and development and advertising costs are expensed as incurred and are included in general and administrative expenses. Research and development costs amounted to $195 and $81 and advertising costs were $458 and $364 for the three months ended March 31, 2017 and 2016, respectively.

***Litigation***

The Company is subject to various legal proceedings, claims, litigation, investigations and contingencies arising out of the ordinary course of business. If the likelihood of an adverse legal outcome is determined to be probable and the amount of loss is estimable, then a liability is accrued in accordance with accounting guidance for Contingencies. The company consults with both internal and external legal counsel related to litigation.

***Recently Issued Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, and subsequently issued several related Accounting Standards Updates ("ASUs") ("Topic 606"), which provide guidance for recognizing revenue from contracts with customers. The core principle of Topic 606 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. Topic 606 will be effective commencing with our quarter ending March 31, 2018. We currently anticipate adopting Topic 606 using the modified retrospective transition approach that may result in a cumulative adjustment to beginning retained earnings as of January 1, 2018. Based on the analysis to date, the Company expects the new standard will require accelerated recognition of trade promotions and customer incentives. These transactions are currently recognized at the later of the sale of goods or agreement, however under the new standard the Company will estimate incentives to be offered to customers. The Company does not expect the change to be material. The Company is continuing its assessment, which may identify additional impacts this standard will have on its consolidated financial statements and related disclosure.

In February 2016, the FASB issued ASU 2016-02*, Leases*. This ASU is a comprehensive new leases standard that was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. This standard requires adoption based upon a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with optional practical expedients. Based on a preliminary assessment, the Company expects that most of its operating lease commitments will be subject to the new guidance and recognized as operating lease liabilities and right-of-use assets upon adoption. The Company is currently making over $1,700 per year in operating lease payments, and the Company expects the majority of these leases to be classified as operating lease liabilities and right-of-use assets upon adoption. The Company is continuing its assessment, which may identify additional impacts this standard will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15*, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this ASU clarify and provide specific guidance on eight cash flow classification issues that are not currently addressed by current U.S. GAAP. This ASU will be effective
commencing with our quarter ending March 31, 2018. The Company does not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU" No. 2016-09*, "Compensation—Stock Compensation: Improvements to Employee Share-Based Payment Accounting (Topic 718)*." ASU No. 2016-09 simplifies the accounting for share-based payment transactions, including accounting for income taxes, forfeitures, statutory tax withholding requirements, and classification in the statement of cash flows. The amendments in this update are effective for fiscal years beginning after December 31, 2016, and interim periods beginning in the first interim period within the year of adoption. Any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company adopted the provisions of this standard effective January 1, 2017. The Company elected to continue to recognize estimated forfeitures over the term of the awards. The adoption of the standard did not have a material impact on the Company's financial condition, results of operations, cash flows and disclosures.

**Note 2—Debt**

The Company entered into a new credit agreement (New Credit Agreement) on December 21, 2016. This agreement fully repaid and terminated the A&R Credit Agreement described below. The New Credit Agreement provides for secured financing of $50,000 in aggregate at either LIBOR or Base (prime) interest rates plus an applicable margin, consisting of

(i) $45,000 revolving credit facility (“Revolver”) maturing on December 21, 2019; and
(ii) $5,000 term loan (“Term Loans”), requiring equal amortizing payments for 24 months.

As of December 31, 2016, the Company had $5,000 outstanding as Term Loans and $22,473 outstanding under the Revolver. The interest rate on the Term Loans was 4.25% and the interest rate on the revolving credit facility was also 4.25%, both were Base Rate loans.

As of March 31, 2017, the Company had $4,583 outstanding as Term Loans and $40,921 outstanding under the Revolver. The interest rate on the Term Loans was 4.50% and the interest rate on the revolving credit facility was also 4.50%, both were Base Rate loans. The Revolver contains a lockbox mechanism.

The New Credit Agreement contains certain covenants and restrictions including a fixed charge coverage ratio and a minimum EBITDA target and is secured by collateral consisting of a percentage of eligible accounts receivable, inventories, and machinery and equipment. As of March 31, 2017, the Company was in compliance with these covenants.

On March 16, 2015, the Company entered into a $40,000 credit facility (Credit Agreement), comprised of a $33,000 in aggregate principal amount of term loans and $7,000 revolving credit facility. Borrowings under the agreement were subject to certain covenants and restrictions including a fixed charge coverage ratio and a minimum EBITDA target, both measured on a quarterly basis beginning in the first quarter of 2016. The Company remained in compliance with these covenants for the duration of the agreement.

The Company refinanced its credit facility in March 2016 with an amended and restated credit agreement (A&R Credit Agreement). The A&R Credit Agreement provided for secured financing of $48,000 in the aggregate, consisting of

(i) $3,000 in aggregate principal amount of term loans maturing on December 31, 2016 (the “Term B Loans”);
(ii) $20,000 in aggregate principal amount of term loans maturing on March 16, 2018 (the “Term A Loans”); and
(iii) a $25,000 revolving credit facility maturing on March 16, 2018.

The following represents the Company’s long term debt as of March 31, 2017 and December 31, 2016:

| | MARCH 31, 2017 | DECEMBER 31, 2016 |
|---|---|---|
| Term Loan | $ 4,583 | $ 5,000 |
| Revolving credit facility | 40,921 | 22,473 |
| Net discount on debt and deferred financing fees | (71) | (92) |
| | 45,433 | 27,381 |
| Less current maturities of long-term debt | (2,443) | (2,223) |
| Total long-term debt | $ 42,990 | $ 25,158 |

Future maturities of long term debt, excluding the net discount on debt and deferred financing fees, as of March 31, 2017 are as follows:

| | |
|---|---|
| Remainder 2017 | $ 1,875 |
| 2018 | 2,708 |
| 2019 | 40,921 |

The Company incurred debt issuance costs of $218 related to the A&R Credit Agreement during the first quarter of 2016. The debt transaction resulted in a loss on debt extinguishment of $993, which included the write off of unamortized debt issuance costs and debt discount, early termination fees, and legal costs.

### Note 3—Leases

The Company leases certain real estate, both office and production facilities, as well as equipment from third parties. Lease expiration dates are between 2017 and 2025. A portion of capital leases are denominated in foreign currencies. Many of these leases include renewal options and in some cases options to purchase.

Approximate annual future commitments under non-cancelable leases as of March 31, 2017 consist of the following:

| | LEASE OBLIGATION | |
|---|---|---|
| | OPERATING LEASES | CAPITAL LEASES |
| Remainder of 2017 | $ 1,281 | $ 74 |
| 2018 | 1,701 | 98 |
| 2019 | 594 | 95 |
| 2020 | 43 | 81 |
| 2021 | 26 | 79 |
| Thereafter | 92 | 88 |
| Total minimum future obligations | $ 3,737 | $ 515 |
| Less current capital lease obligations | | (98) |
| Long-term capital lease obligations | | $ 417 |

The net book value of equipment under capital lease was $767 and $775 as of March 31, 2017 and December 31, 2016, respectively. Total operating lease expense for the three months ended March 31, 2017 and 2016 totaled $460 and $400, respectively.

### Note 4—Income Taxes

The Company is a limited liability company, and the majority of our businesses and assets are held and operated by limited liability companies, which are not subject to entity-level federal or state income taxation. The income taxes with respect to these operations are payable by our member. The Company makes cash distributions to permit the member to pay these taxes as needed by the member's tax situation. In the quarters ended March 31, 2017 and 2016, the Company did not make any cash distributions.

The Company's income tax provision generally consists of income taxes payable by our separate subsidiaries that are taxed as corporations. As of March 31, 2017 and December 31, 2016, the taxable foreign subsidiaries had $473 and $482, respectively of deferred tax assets. The deferred tax assets resulted primarily from net operating losses and were fully offset by a valuation allowance.

## Note 5—Customer Concentration

The Company has significant exposure to customer concentration. During the three months ended March 31, 2017 and 2016, three customers accounted for more than 10% of sales individually. In total the three customers accounted for 59% and 72% of net sales, respectively. At March 31, 2017 and December 31, 2016 four customers individually accounted for more than 10% of outstanding trade receivables, and in aggregate accounted for 53% and 60%, respectively, of outstanding trade receivables, net. The customers are customers of the domestic segment.

## Note 6—Commitments and Contingencies

***Litigation Contingencies***

In July 2013, Mars, Inc. ("Mars") filed suit against the Company, a subsidiary TruRX LLC ("TruRX") and a third party in the United States District Court for the Eastern District of Texas, alleging that the Company's Minties and Minties Fresh products infringed on certain of its patents (Texas). In March 2014, Mars filed suit against the Company, TruRX, and a third party in the United States District Court for the Middle District of Tennessee, alleging that the Company's Hip&Joint supplement product infringed on certain of its patents (Tennessee). In September 2014, Mars filed suit against the Company and several subsidiaries in the United States District Court for the Eastern District of Virginia, alleging that certain pet treats, including Delightibles branded treats, infringe on certain of its patents (Virginia). In each case, Mars seeks royalty damages in an amount not specified.

During 2016, the Company successfully tried the first action, resulting in a finding of non-infringement of the patents-in-suit. Shortly thereafter, the Company reached a settlement with Mars that resulted in the final dismissal of all three cases. The settlement resulted in no incremental expense or liability to the Company. As of March 31, 2017, the Company has no outstanding litigation against it.

The Company records a liability when a particular contingency is probable and estimable. However, the Company has not accrued for any contingency at March 31, 2017 and December 31, 2016, as the Company does not consider any contingency to be probable or estimable. The Company expenses legal costs as incurred within general and administrative expenses on the consolidated statements of comprehensive loss.

## Note 7—Segments

The Company has two operating segments, and thus two reportable segments, which are the procurement, packaging, and distribution of pet health and wellness products in the Domestic markets (U.S. and Canada) and in the International markets (primarily Europe). The determination of the operating segments is based on the level at which the chief operating decision maker reviews discrete financial information to assess performance and make resource allocation decisions, which is done based on these two geographic areas.

Financial information relating to the Company's operating segments for the three months ended:

| MARCH 31, 2017 | DOMESTIC | INTERNATIONAL | CONSOLIDATED |
|---|---|---|---|
| Net sales | $ 65,910 | $ 1,119 | $ 67,029 |
| Gross profit | 11,725 | 475 | 12,200 |
| General and administrative expenses | 6,949 | 456 | 7,405 |
| Operating income (expense) | 4,776 | 19 | 4,795 |

| MARCH 31, 2016 | DOMESTIC | INTERNATIONAL | CONSOLIDATED |
|---|---|---|---|
| Net sales | $ 51,184 | $ 1,114 | $ 52,298 |
| Gross profit | 9,266 | 506 | 9,772 |
| General and administrative expenses | 7,629 | 434 | 8,063 |
| Operating income | 1,637 | 72 | 1,709 |

**Note 8—Pro forma financial information**

The Company has not presented historical basic and diluted net loss per share because the historical capital structure makes the presentation of net loss per share not meaningful, as the Company does not have any shares of common stock outstanding as of March 31, 2017.

Unaudited pro forma financial information has been presented to disclose the pro forma income tax expense and Net loss attributable to PetIQ, Inc., the registrant in the accompanying Registration Statement on Form S-1 (Form S-1) to register shares of Class A common stock of PetIQ, Inc. The unaudited pro forma financial information reflects an adjustment to the provision for income taxes to reflect an effective tax rate of %, which was calculated using the U.S. federal income tax rate and the highest statutory rates applied to income apportioned to each state and local jurisdiction. This tax rate has been applied to the % portion of income before taxes that represents the economic interest in PetIQ Holdings, LLC that will be held by PetIQ, Inc. upon completion of the Merger and Reclassification disclosed in the Form S-1, but before application of the proceeds of the offering. In addition, pro forma provision for income taxes includes the historical provision for income taxes of $ related to PetIQ, LLC. The sum of these amounts represents total pro forma provision for income taxes of $ .

The unaudited pro forma financial information also reflects the effects of the Contributions and Reclassification on the allocation of pro forma net loss between noncontrolling interests and PetIQ, Inc.

Because PetIQ, Inc. will manage and operate the business and control the strategic decisions and day-to-day operations of the Company and will also have a substantial financial interest in the Company. PetIQ, Inc. will consolidate the financial results of PetIQ, LLC, pursuant to the variable-interest entity (“VIE”) accounting model, and a portion of our net income (loss) will be allocated to the non-controlling interest to reflect the entitlement of Continuing LLC Owners to a portion of the Company’s net income (loss).

After the Merger and Reclassification, but prior to the completion of the offering, the noncontrolling interests of PetIQ, Inc. held by the continuing owners of PetIQ Holdings, LLC will have a % economic ownership of PetIQ Holdings, LLC, and as such, % of pro forma net loss will be attributable to the noncontrolling interests.

The pro forma unaudited net loss per share has been prepared using pro forma net loss, as set forth above, which reflects the pro forma effects on provision for income taxes and the allocation of pro forma net loss between noncontrolling interests and PetIQ, Inc., resulting from the Contributions and Reclassification, but before application of the proceeds of the offering. In addition, pro forma weighted average shares outstanding includes Class A common stock of PetIQ, Inc. that will be outstanding after the Contributions and Reclassification, but before the offering.

The supplemental pro forma information has been computed, assuming an initial public offering price of $ per share, the midpoint in the estimated price range set forth on the cover of the prospectus included in the Company’s Form S-1 Registration Statement. The computations assume there will be no exercise by the underwriters of their option to purchase additional shares of Class A common stock.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Managers
PetIQ, LLC:

We have audited the accompanying consolidated balance sheets of PetIQ, LLC and its subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive loss, member's equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PetIQ, LLC and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Boise, Idaho
February 24, 2017

**PETIQ, LLC**

**Consolidated Balance Sheets**
December 31,
(dollars in thousands)

| | 2016 | 2015 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 767 | $ 3,250 |
| Accounts receivable, net of allowance for doubtful accounts | 17,195 | 14,512 |
| Inventories | 34,232 | 33,685 |
| Supplier prepayments | 2,985 | 7,501 |
| Other current assets | 1,358 | 1,370 |
| Total current assets | 56,537 | 60,318 |
| Property, plant and equipment, net | 13,044 | 12,960 |
| Restricted cash and deposits | 250 | 7,144 |
| Other non-current assets | 2,826 | 757 |
| Intangible assets, net of accumulated amortization | 4,054 | 5,576 |
| Goodwill | 4,619 | 5,580 |
| Total assets | $81,330 | $92,335 |
| Liabilities and member's equity | | |
| Current liabilities | | |
| Accounts payable | $ 9,333 | $ 9,210 |
| Accrued wages payable | 1,100 | 1,203 |
| Accrued interest payable | 44 | 270 |
| Other accrued expenses | 277 | 329 |
| Current portion of long-term debt and capital leases | 2,321 | 153 |
| Total current liabilities | 13,075 | 11,165 |
| Non-current liabilities | | |
| Long-term debt | 25,158 | 32,052 |
| Obligations under capital leases, less current installments | 434 | 395 |
| Deferred acquisition liability | 1,303 | 2,053 |
| Other non-current liabilities | 378 | 395 |
| Total non-current liabilities | 27,273 | 34,895 |
| Commitments and contingencies | | |
| Equity | | |
| Member's equity | 42,941 | 46,339 |
| Accumulated other comprehensive loss | (1,940) | (42) |
| Total member's equity | 41,001 | 46,297 |
| Non-controlling interest | (19) | (22) |
| Total equity | 40,982 | 46,275 |
| Total liabilities and equity | $81,330 | $92,335 |

See accompanying notes to the consolidated financial statements

**PETIQ, LLC**

**Consolidated Statements of Comprehensive Loss**
Years ended December 31,
(dollars in thousands)

| | 2016 | 2015 |
|---|---|---|
| Net sales | $200,162 | $205,687 |
| Cost of sales | 167,615 | 166,529 |
| Gross profit | 32,547 | 39,158 |
| Operating expenses | | |
| General and administrative expenses | 31,845 | 35,588 |
| Operating income | 702 | 3,570 |
| Interest expense | 3,058 | 3,545 |
| Foreign currency loss (gain), net | 24 | (75) |
| Loss on debt extinguishment | 1,681 | 1,449 |
| Other (income) expense, net | (666) | — |
| Total other expense, net | 4,097 | 4,919 |
| Net loss | (3,395) | (1,349) |
| Net income (loss) attributable to noncontrolling interest | 3 | (7) |
| Net loss attributable to member | $ (3,398) | $ (1,342) |
| Comprehensive loss | | |
| Net loss | $ (3,395) | $ (1,349) |
| Foreign currency translation adjustment | (1,898) | (515) |
| Comprehensive loss | (5,293) | (1,864) |
| Comprehensive income (loss) attributable to noncontrolling interest | 3 | (7) |
| Comprehensive loss attributable to member | $ (5,296) | $ (1,857) |
| Unaudited pro forma financial information (note 11) | | |
| Historical loss before taxes | $ | |
| Pro forma provision for income taxes | | |
| Pro forma net loss | | |
| Pro forma net loss attributable to noncontrolling interest | | |
| Pro forma net loss attributable to member | | |
| Pro forma net loss per share | | |
| Basic | $ | |
| Diluted | $ | |
| Pro forma weighted average shares of Class A common stock outstanding | | |
| Basic | | |
| Diluted | | |

See accompanying notes to the consolidated financial statements

**PETIQ, LLC**

**Consolidated Statements of Member's Equity**
Years ended December 31, 2016 and 2015
(dollars in thousands)

| | MEMBER'S EQUITY | ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME | NON-CONTROLLING INTEREST | TOTAL |
|---|---|---|---|---|
| Balance, January 1, 2015 | $ 47,681 | $ 473 | $ (15) | $48,139 |
| Net loss | (1,342) | — | (7) | (1,349) |
| Foreign currency translation adjustments | — | (515) | — | (515) |
| Balance, December 31, 2015 | 46,339 | (42) | (22) | 46,275 |
| Net loss | (3,398) | — | 3 | (3,395) |
| Foreign currency translation adjustments | — | (1,898) | — | (1,898) |
| Balance, December 31, 2016 | $ 42,941 | $ (1,940) | $ (19) | $40,982 |

See accompanying notes to the consolidated financial statements

**PETIQ, LLC**

**Consolidated Statements of Cash Flows**
Years ended December 31,
(dollars in thousands)

| | 2016 | 2015 |
|---|---|---|
| Cash flows from operating activities | | |
| Net loss | $ (3,395) | $ (1,349) |
| Adjustments to reconcile net loss to net cash used for operating activities | | |
| Depreciation and amortization of intangible assets and loan fees | 4,074 | 3,140 |
| Loss on disposition of property | 42 | 28 |
| Foreign exchange (gain) on liabilities | (28) | (300) |
| Impairment of related party receivable | — | 1,449 |
| Warranty Settlement gain | (645) | — |
| Changes in assets and liabilities | | |
| Accounts receivable | (2,216) | (1,907) |
| Inventories | (542) | (10,399) |
| Prepaid expenses and other assets | 2,037 | (3,789) |
| Accounts payable | 104 | 6,114 |
| Accrued wages payable | (128) | 827 |
| Other accrued expenses | (229) | (229) |
| Net cash used in operating activities | (926) | (6,415) |
| Cash flows from investing activities | | |
| Proceeds from disposition of property, plant, and equipment | 1 | 12 |
| Purchase of property, plant, and equipment and intangibles | (2,041) | (1,550) |
| Net cash used in investing activities | (2,040) | (1,538) |
| Cash flows from financing activities | | |
| Proceeds from issuance of long term debt | 238,252 | 236,981 |
| Principal payments on long term debt | (243,852) | (218,532) |
| Decrease (increase) in restricted cash and deposits | 6,894 | (6,944) |
| Principal payments on capital lease obligations | (93) | (382) |
| Payment of deferred financing fees and debt discount | (509) | (1,316) |
| Net cash provided by financing activities | 692 | 9,807 |
| Net change in cash and cash equivalents | (2,274) | 1,854 |
| Effect of exchange rate changes on cash and cash equivalents | (209) | 26 |
| Cash and cash equivalents, beginning of year | 3,250 | 1,370 |
| Cash and cash equivalents, end of year | $ 767 | $ 3,250 |
| Supplemental cash flow | | |
| Interest paid | $ 2,911 | $ 2,997 |
| Property, plant, and equipment acquired through accounts payable | 125 | 24 |
| Capital lease additions | 188 | — |
| Non cash acquisition of intangibles | — | 350 |

See accompanying notes to the consolidated financial statements

**PetIQ, LLC AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**
(dollars in thousands)

## Note 1—Principal Business Activity and Significant Accounting Policies

***Principal Business Activity and Principals of Consolidation***

PetIQ, LLC and Subsidiaries (the Company) is a manufacturer and wholesale distributor of over-the-counter and prescription pet medications and pet related products to various retail chains throughout the United States and Europe. The Company is headquartered in Eagle, Idaho and manufactures and distributes products from facilities in Florida, Texas, Utah, and Europe.

The operating agreement of the Company limits each member's liability to the maximum extent allowed.

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property, plant, and equipment; allowance for doubtful accounts; the valuation of property, plant, and equipment, intangible assets and goodwill, inventories and notes receivable; and reserves for legal contingencies.

***Foreign Currencies***

The Company operates subsidiaries in foreign countries who use the local currency as the functional currency. The Company translates its foreign subsidiaries' assets and liabilities denominated in foreign currencies into U.S. dollars at current rates of exchange as of the balance sheet date and income and expense items at the average exchange rate for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded in the cumulative translation account, a component of accumulated other comprehensive (loss) income. The Company records gains and losses from changes in exchange rates on transactions denominated in currencies other than each reporting location's functional currency in net income (loss) for each period.

***Cash and Cash Equivalents***

Cash equivalents consist of highly liquid investments with an original maturity of three months or less, excluding amounts restricted for various state licensing regulations. Restricted deposits are not considered cash and cash equivalents. The Company maintains its cash accounts in various deposit accounts, the balances of which at times exceeded federal deposit insurance limits during the years presented.

***Receivables and Credit Policy***

Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivables are stated at the amount billed to the customer, net of discounts and estimated deductions. The Company does not have a policy for charging interest on overdue customer account balances. The Company provides an allowance for doubtful accounts equal to estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice.

The Company also has notes receivable due from various suppliers included in accounts receivable. The notes bear interest at 0% to 4% and are repaid based on either amortization schedules or from certain sales to third parties. Non-current portions of these notes receivable are included in other non-current assets on the consolidated balance sheets.

Accounts receivable consists of the following at December 31:

| | 2016 | 2015 |
|---|---|---|
| Trade receivables | $18,086 | $14,547 |
| Notes receivable | 440 | 988 |
| | 18,526 | 15,535 |
| Less: Allowance for doubtful accounts | (498) | (620) |
| Non-current portion of receivables | (833) | (403) |
| Total accounts receivable, net | $17,195 | $14,512 |

***Inventories***

Inventories are stated at the lower of cost or market. Cost is typically determined using the first-in first-out ("FIFO") method. The Company maintains reserves for estimated obsolete or unmarketable inventory based on the difference between the cost of inventory and its estimated net realizable value. In estimating the reserves, management considers factors such as excess or slow-moving inventories, product expiration dating, and market conditions. Changes in these conditions may result in additional reserves. Major components of inventories were as follows at December 31:

| | 2016 | 2015 |
|---|---|---|
| Raw materials and work in progress | $ 5,924 | $ 4,292 |
| Finished goods | 28,308 | 29,393 |
| Total inventories | $34,232 | $33,685 |

***Property, Plant, and Equipment***

Property, plant, and equipment are recorded at cost. Expenditures for improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation and amortization is provided using the straight-line method, based on useful lives of the assets, except for leasehold improvements and capital leased assets which are depreciated over the shorter of the expected useful life or the lease term. Depreciation and amortization expense is recorded in cost of sales or general and administrative expenses in the consolidated statements of comprehensive loss, depending on the use of the asset. The estimated useful lives of property, plant, and equipment are as follows:

| | |
|---|---|
| Computer equipment and software | 3 years |
| Buildings | 33 years |
| Equipment | 3-15 years |
| Leasehold improvements | 3-9 years |
| Furniture and fixtures | 8-10 years |

The Company reviews the carrying value of property, plant, and equipment for triggering events whenever events and circumstances indicate that the carrying value of an asset or asset group may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment during the years ended December 31, 2016 and 2015.

***Restricted Cash and Deposits***

Restricted cash consists of amounts of cash required under the Credit Agreement to be held by the Company's lender in the event that normal collateral is not sufficient to allow for full borrowings on the Company's fully funded term loan. Refer to Note 4, Debt, for more information. Restricted cash as of December 31, 2016 and 2015 was $0 and $6,894, respectively.

Restricted deposits are amounts required to be held by the Company in segregated accounts for various state licensing regulations in relation to the sale of regulated prescription pet medications. Restricted deposits as of December 31, 2016 and 2015 were $250 and $250, respectively. Interest earned on restricted deposits is included in other income when earned.

***Intangible Assets***

Indefinite lived intangible assets consist primarily of trademarks. Trademarks represent costs paid to legally register phrases and graphic designs that identify and distinguish products sold by the Company. Trademarks are not amortized, rather potential impairment is considered on an annual basis, or more frequently upon the occurrence of an event, when circumstances indicate that the book value of trademarks are greater than their fair value. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the indefinite lived intangible asset is less than the carrying value as a basis to determine whether further impairment testing under ASC 350 is necessary. No impairment charge was recorded for the years ended December 31, 2016 and 2015.

Definite-lived intangible assets consist of a distribution agreement, production certifications, patents and processes, customer relationships, and brand names. The assets are amortized on a straight-line basis over the expected useful life. Useful lives vary by asset type and are determined based on the period over which the intangible asset is expected to contribute directly or indirectly to the company's future cash flows. Useful lives range from 2 to 15 years.

***Goodwill***

Goodwill is the excess of the consideration paid over the fair value of specifically identifiable assets, liabilities and contingent liabilities in a business combination and relates to the future economic benefits arising from assets, which are not capable of being individually identified and separately recognized.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but is reviewed for impairment annually in the Company's fourth quarter or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The goodwill impairment test consists of a two-step process, if necessary. However, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. The more likely than not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary and goodwill is considered to be unimpaired. However, if based on the qualitative assessment the Company concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the two-step process will be carried out.

In step one, the Company determines the fair value of each reporting unit and compares it to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and no further testing is performed. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, the Company records an impairment loss equal to the difference.

The Company performed its qualitative assessment during the fourth fiscal quarter of 2016 and concluded that it was more likely than not that the fair values of its reporting units were greater than their carrying amounts. After reaching this conclusion, the two-step impairment test was unnecessary and no further testing was performed. The qualitative factors that were considered included, but were not limited to, general economic conditions, outlook for the pet sector, and recent and forecasted financial performance.

Goodwill impairment analysis and measurement is a process that requires significant judgment. If there are significant changes in market conditions or a future downturn in our business, or a future annual goodwill impairment test indicates an impairment of our goodwill, the Company may have to recognize impairment of its goodwill.

***Income Taxes***

As a limited liability company, the Company's taxable income or loss is allocated to the member. However, the Company consolidates taxable subsidiaries. For these subsidiaries, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2016 and 2015, the unrecognized tax benefit accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Company is not subject to Federal and State tax examinations by tax authorities for years before 2010, the year of inception.

***Fair Value of Financial Instruments***

The Company measures the fair value of its financial instruments in accordance with ASC 820, *"Fair Value Measurements and Disclosures*." The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. It is determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes the following hierarchy that prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1—Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2—Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Valuations based on unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to the short-term nature of these instruments. The Company's debt approximates fair value due to the variable interest rate.

***Deferred Acquisition Liability***

The Company has a deferred acquisition liability related to an acquisition that occurred in 2013. The liability is denominated in Euros and requires annual payments based on a percentage of gross profit from the sales of certain products; any amounts not repaid by the annual payments will be due in June 2018. The current balance recorded as of December 31, 2016 and 2015 was $250 and $300, respectively, and is included in other accrued expenses. The non-current portion recorded as of December 31, 2016 and 2015 was $1,303 and $2,053, respectively, and is included in deferred acquisition liability. During 2016, the Company negotiated a settlement with a selling shareholder of the Company related to a warranty provided as part of the purchase. The related warranty settlement gain of $645 is included in other income on the consolidated statement of comprehensive loss.

***Revenue Recognition***

The Company recognizes revenue when persuasive evidence of an arrangement exists, product has been delivered, the price is fixed or determinable and collectability is reasonably assured. The Company generally records revenues from product sales when the goods are shipped to the customer. For customers with Free on Board ("FOB") destination terms, a provision is recorded to exclude shipments determined to be in-transit to these customers at the end of the reporting period. A sales return allowance is recorded and accounts receivable are reduced as revenues are recognized for estimated losses on credit sales due to customer claims for discounts, returned goods and other items.

The Company offers a variety of trade promotions and incentives to our customers, such as cooperative advertising programs and in-store displays. Sales are recorded net of trade promotion spending, which is recognized at the later of the date on which the Company recognizes the related revenue or the date on which the Company offers the incentive. The Company's net sales are periodically influenced by the timing, extent and amount of such trade promotions and incentives. Accruals for expected payouts under these programs are included in other accrued expenses.

***Shipping and Handling Costs***

Shipping and handling costs are recorded as cost of sales, and are not billed to customers.

***Research and Development and Advertising Costs***

Research and development and advertising costs are expensed as incurred and are included in general and administrative expenses. Research and development costs amounted to $310 and $380 and advertising costs were $1,179 and $6,077 for the years ended December 31, 2016 and 2015, respectively.

***Litigation***

The Company is subject to various legal proceedings, claims, litigation, investigations and contingencies arising out of the ordinary course of business. If the likelihood of an adverse legal outcome is determined to be probable and the amount of loss is estimable, then a liability is accrued in accordance with accounting guidance for contingencies. The company consults with both internal and external legal counsel related to litigation.

***Recently Issued Accounting Pronouncements***

In May 2014, the FASB issued ASC Topic 606, *Revenue from Contracts with Customers*, and subsequently issued several related Accounting Standards Updates ("ASUs") ("Topic 606"), which provide guidance for recognizing revenue from contracts with customers. The core principle of Topic 606 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. Topic 606 will be effective commencing with our quarter ending March 31, 2018. We currently anticipate adopting Topic 606 using the modified retrospective transition approach that may result in a cumulative adjustment to beginning retained earnings as of January 1, 2018. Based on the analysis to date, the Company expects the new standard will require accelerated recognition of trade promotions and customer incentives. These transactions are currently recognized at the later of the sale of goods or agreement, however under the new standard the Company will estimate incentives to be offered to customers. The Company does not expect the change to be material. The Company is continuing its assessment, which may identify additional impacts this standard will have on its consolidated financial statements and related disclosure.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02*, Leases*. This ASU is a comprehensive new leases standard that was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. This standard requires adoption based upon a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with optional practical expedients. Based on a preliminary assessment, the Company expects that most of its operating lease commitments will be subject to the new guidance and recognized as operating lease liabilities and right-of-use assets upon adoption. The Company is currently making over $1,700 per year in operating lease payments, and the Company expects the majority of these leases to be classified as operating lease liabilities and right-of-use assets upon adoption. The Company is continuing its assessment, which may identify additional impacts this standard will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15*, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this ASU clarify and provide specific guidance on eight cash flow classification issues that are not currently addressed by current U.S. GAAP. This ASU will be effective commencing with our quarter ending March 31, 2018. The Company does not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

### Note 2—Property, Plant, and Equipment

Property, plant, and equipment consists of the following at December 31:

| | 2016 | 2015 |
|---|---|---|
| Leasehold improvements | $ 6,587 | $ 6,533 |
| Equipment | 9,512 | 7,993 |
| Computer equipment and software | 896 | 839 |
| Buildings | 668 | 691 |
| Furniture and fixtures | 377 | 436 |
| Construction in progress | 150 | 125 |
| | 18,190 | 16,617 |
| Less accumulated depreciation | (5,146) | (3,657) |
| Total property, plant, and equipment, net | $13,044 | $12,960 |

Depreciation and amortization expense related to these assets totaled $1,915 and $1,842 for the years ended December 31, 2016 and 2015, respectively.

During 2016, the Company entered into a purchase agreement for a commercial building in Eagle, Idaho to serve as the Company's corporate headquarters. The purchase price is $2,400, of which $125 has been paid as earnest money and is recorded in other non-current assets. The transaction is expected to close in Q2 2017.

### Note 3—Intangible Assets and Goodwill

Intangible assets consist of the following at December 31:

| AMORTIZABLE INTANGIBLES | USEFUL LIVES | 2016 | 2015 |
|---|---|---|---|
| Distribution agreement | 2 years | $ 3,021 | $ 3,021 |
| Certification | 7 years | 350 | 350 |
| Customer relationships | 12 years | 1,086 | 1,312 |
| Patents and processes | 10 years | 1,797 | 2,155 |
| Brand names | 15 years | 841 | 1,016 |
| Less accumulated amortization | | $(3,557) | $(2,691) |
| Total net amortizable intangibles | | 3,538 | 5,163 |
| Non-amortizable intangibles | | | |
| Trademarks and other | | 516 | 413 |
| Intangible assets, net of accumulated amortization | | $ 4,054 | $ 5,576 |

Certain intangible assets are denominated in currencies other than the U.S. Dollar; therefore, their gross and net carrying values are subject to foreign currency movements. Amortization expense for the year ended December 31, 2016 and 2015 was $1,067 and $735, respectively.

Estimated future amortization expense for each of the following years is as follows:

| YEARS ENDING DECEMBER 31, | |
|---|---|
| 2017 | $1,033 |
| 2018 | 374 |
| 2019 | 374 |
| 2020 | 374 |
| 2021 | 374 |
| Thereafter | 1,009 |

The following is a summary of the changes in the carrying value of goodwill for the years ended December 31, 2016 and 2015.

| | REPORTING UNIT | | |
|---|---|---|---|
| | DOMESTIC | INTERNATIONAL | TOTAL |
| Goodwill as of January 1, 2015 | $ 5,484 | $ 377 | $5,861 |
| Foreign currency translation | (263) | (18) | (281) |
| Goodwill as of December 31, 2015 | 5,221 | 359 | 5,580 |
| Foreign currency translation | (900) | (61) | (961) |
| Goodwill as of December 31, 2016 | $ 4,321 | $ 298 | $4,619 |

## Note 4—Debt

The Company entered into a new credit agreement (New Credit Agreement) on December 21, 2016. This agreement fully repaid and terminated the A&R Credit Agreement described below. The New Credit Agreement provides for secured financing of $50,000 in aggregate at either LIBOR or Base (prime) interest rates plus an applicable margin, consisting of

(i) $45,000 revolving credit facility (“Revolver”) maturing on December 21, 2019; and
(ii) $5,000 term loan (“Term Loans”), requiring equal amortizing payments for 24 months.

As of December 31, 2016, the Company had $5,000 outstanding as Term Loans and $22,473 outstanding under the Revolver. The interest rate on the Term Loans was 4.25% and the interest rate on the revolving credit facility was also 4.25%, both were Base Rate loans. The Revolver contains a lockbox mechanism.

The New Credit Agreement contains certain covenants and restrictions including a fixed charge coverage ratio and a minimum EBITDA target and is secured by collateral consisting of a percentage of eligible accounts receivable, inventories, and machinery and equipment. As of December 31, 2016, the Company was in compliance with these covenants.

On March 16, 2015, the Company entered into a $40,000 credit facility (Credit Agreement), comprised of a $33,000 in aggregate principal amount of term loans and $7,000 revolving credit facility. The credit facility was subject to a borrowing base of collateral comprised of a percentage of eligible accounts receivable, inventories, and machinery and equipment. In the event that the borrowing base did not represent sufficient collateral for the term loan, the Company was required to fund restricted cash in an amount to fully collateralize outstanding borrowings. The maturity date on the credit facility was March 16, 2018. The Credit Agreement required monthly principal payments of $8 plus accrued interest, with the remaining balance due at maturity. The interest rate of the facility was 3-month LIBOR plus an initial margin of 9.00%. Borrowings under the agreement were subject to certain covenants and restrictions including a fixed charge coverage ratio and a minimum EBITDA target, both measured on a quarterly basis beginning in the first quarter of 2016. The Company remained in compliance with these covenants for the duration of the agreement.

The Company refinanced its credit facility in March 2016 with an amended and restated credit agreement (A&R Credit Agreement). The A&R Credit Agreement provided for secured financing of $48,000 in the aggregate, consisting of

(i) $3,000 in aggregate principal amount of term loans maturing on December 31, 2016 (the “Term B Loans”);
(ii) $20,000 in aggregate principal amount of term loans maturing on March 16, 2018 (the “Term A Loans”); and
(iii) a $25,000 revolving credit facility maturing on March 16, 2018.

As of December 31, 2015, the Company had $32,935 outstanding Term Loans and $0 outstanding under the revolving credit facility. The interest rate on the credit facility was the LIBOR rate plus 9.00%.

The following represents the Company’s long term debt as of December 31:

| | 2016 | 2015 |
|---|---|---|
| Term Loan | $ 5,000 | $32,935 |
| Revolver | 22,473 | — |
| Net discount on debt and deferred financing fees | (92) | (785) |
| | 27,381 | 32,150 |
| Less current maturities of long-term debt | (2,223) | (98) |
| Total long-term debt | $25,158 | $32,052 |

Future maturities of long term debt, excluding the net discount on debt and deferred financing fees, as of December 31, 2016 are as follows:

| | |
|---|---|
| 2017 | $ 2,292 |
| 2018 | 2,708 |
| 2019 | 22,473 |

The Company incurred debt issuance costs in connection with the Credit Agreement in the amount of $316, plus $1,000 in debt discount, during the year ended December 31, 2015. Net discount on debt and deferred financing fees related to the term loan were $1,085, net of amortization of $301. The remaining $230 debt issuance cost and discount related to the revolver. This portion is shown in the consolidated balance sheet as a deferred charge in other non-current assets, net of amortization of $64 as of December 31, 2015.

The Company incurred debt issuance costs of $248 related to the A&R Credit Agreement during 2016. The debt transaction resulted in a loss on debt extinguishment of $993, which included the write off of unamortized debt issuance costs and debt discount, early termination fees, and legal costs.

The Company incurred debt issuance costs of $261 related to the New Credit Agreement during 2016. This second refinancing transaction resulted in a loss on extinguishment of $688, which included the write off of unamortized debt issuance costs and debt discount, early termination fees, and legal costs.

### Note 5—Leases

The Company leases certain real estate, both office and production facilities, as well as equipment from third parties. Lease expiration dates are between 2017 and 2025. A portion of capital leases are denominated in foreign currencies. Many of these leases include renewal options and in some cases options to purchase.

Future minimum lease payments to be made by the Company for non-cancellable operating and capital leases as of December 31, 2016 consist of the following:

| YEARS ENDING DECEMBER 31, | LEASE OBLIGATION | |
|---|---|---|
| | OPERATING LEASES | CAPITAL LEASES |
| 2017 | $ 1,708 | $ 98 |
| 2018 | 1,700 | 98 |
| 2019 | 593 | 94 |
| 2020 | 42 | 80 |
| 2021 | 26 | 78 |
| Thereafter | 84 | 105 |
| Total minimum future obligations | $ 4,153 | $ 553 |
| Less current capital lease obligations | | (98) |
| Long-term capital lease obligations | | $ 455 |

The net book value of equipment under capital lease was $775 and $691 as of December 31, 2016 and 2015, respectively. Total operating lease expense for the year ended December 31, 2016 and 2015 totaled $1,718 and $1,627, respectively.

## Note 6—Income Taxes

The Company is a limited liability company, and the majority of our businesses and assets are held and operated by limited liability companies, which are not subject to entity-level federal or state income taxation. The income taxes with respect to these operations are payable by our member. The Company makes cash distributions to permit the member to pay these taxes. In 2016 and 2015, the Company did not make any cash distributions.

The Company's income tax provision generally consists of income taxes payable by our separate subsidiaries that are taxed as corporations. For the years ended December 31, 2016 and 2015, income tax expense was zero.

Additionally, in 2015, the Company dissolved its sole taxable subsidiary in the United States.

At December 31, 2016 and 2015, the foreign subsidiaries had $482 and $672, respectively of deferred tax assets. The deferred tax assets resulted primarily from net operating losses and were fully offset by a valuation allowance. In 2016 and 2015, the Company paid no income taxes and received no refunds.

## Note 7—Related Party Transactions

### *Consulting Fees*

As disclosed in Note 9, the Company has consulting agreements with several equity holders for services related to financial transactions and other senior management matters related to business administration. The Company incurred expenses of $864 and $462 under those agreements for the years ended December 31, 2016 and 2015, respectively.

Additionally, in 2015 as part of an amendment to the previous line of credit agreement, a board member executed a pledge agreement in favor of the Company's lender, which was effectively a guarantee related to $2,200 of the line of credit collateralized by an account funded by the board member. Subsequent to that agreement, the board member, through an affiliate, procured inventory of a corresponding $2,200 and sold the inventory to the Company. For its guarantee and related services, the Company paid loan fees, legal fees, and interest of approximately $260 to the board member, total payments to the board member and their affiliate were approximately $2,460 ($2,200 of inventory and $260 of fees and interest).

***Note Receivable from Related Party***

The Company purchased products from a supplier, who is a related party due to a common minority owner, under a sourcing agreement. During the year ended December 31, 2015, the Company terminated the sourcing agreement.

Subsequent to the termination of the agreement on October 1, 2015, the supplier failed to deliver on prepaid inventories. The remaining balance of supplier prepayments in the amount of $1,449 was fully reserved in 2015 due to the significant uncertainty as to the collectability of the amount. The supplier has ceased providing inventory to the Company, has not refunded any of the prepayments, and there is no underlying collateral. The Company has initiated litigation to recover the supplier prepayment; any amounts collected will be recorded as a gain in the period in which the contingency is resolved.

Total purchases from the related party for the years ended December 31, 2016 and 2015 were approximately $0 and $6,677, respectively.

## Note 8—Customer Concentration

The Company has significant exposure to customer concentration. During the years ended December 31, 2016 and 2015, three customers accounted for more than 10% of sales individually. In total the three customers accounted for 70% and 74% of sales, respectively. At December 31, 2016 and 2015 four customers accounted for more than 10% of outstanding individually and 60% and 54%, respectively, of outstanding trade receivables, net.

One of the Company's significant customers noted above is Wal-Mart Stores Inc. During 2015, the Company sold a new item to Wal-Mart stores as part of a single year program. The program was awarded to the Company as opposed to Walmart's legacy supplier in the category due to product registration concerns. The one time promotion resulted in approximately $16,574 in Net Sales in 2015, and as expected, Walmart returned to their legacy supplier for 2016.

## Note 9—Commitments and Contingencies

***Commitments***

The Company has entered into management consulting services agreements with members of its parent. The services are related to financial transactions and other senior management matters related to business administration. Those agreements provide for the Company to pay base annual management fees of $712 plus expenses, typically payable quarterly. These expenses are recorded in general and administrative expenses on the consolidated statements of comprehensive loss.

The Company enters into various licensing and royalty agreements for certain products. These agreements end between 2020 and 2027, and require the Company to pay royalties based on sales of certain products on either a percentage or per unit basis. Total expense related to licensing agreements was $246 and $364 for the years ended December 31, 2016 and 2015, respectively. Royalty expenses are recorded in general and administrative expenses on the consolidated statements of comprehensive loss.

***Litigation Contingencies***

In July 2013, Mars, Inc. ("Mars") filed suit against the Company, a subsidiary TruRX LLC ("TruRX") and a third party in the United States District Court for the Eastern District of Texas, alleging that the Company's Minties and Minties Fresh products infringed on certain of its patents. In March 2015, Mars filed suit against the Company, TruRX, and a third party in the United States District Court for the Middle District of Tennessee, alleging that the Company's Hip&Joint supplement product infringed on certain of its patents. In September 2015, Mars filed suit against the Company and several subsidiaries in the United States District Court for the Eastern District of Virginia, alleging that certain pet treats, including Delightibles branded treats, infringe on certain of its patents. In each case, Mars sought lost profits or royalty damages in an amount not yet determined.

During 2016, the Company successfully tried the first action, resulting in a finding of non-infringement of the patents-in-suit. Shortly thereafter, the Company reached a settlement with Mars that resulted in the final dismissal of all three cases. The settlement resulted in no incremental expense or liability to the Company. As of December 31, 2016, the Company has no outstanding litigation against it.

The Company records a liability when a particular contingency is probable and estimable. However, the Company has not accrued for any contingency at December 31, 2016 and 2015, as the Company does not consider any contingency to be probable or estimable. The Company expenses legal costs as incurred within general and administrative expenses on the consolidated statements of comprehensive loss.

### Note 10—Segments

The Company has two operating segments, and thus two reportable segments, which are the procurement, packaging, and distribution of pet health and wellness products in the Domestic markets (U.S. and Canada) and in the International markets (primarily Europe). The determination of the operating segments is based on the level at which the chief operating decision maker reviews discrete financial information to assess performance and make resource allocation decisions, which is done based on these two geographic areas.

Financial information relating to the Company's operating segments for the years ended December 31:

| 2016 | DOMESTIC | INTERNATIONAL | CONSOLIDATED |
|---|---|---|---|
| Net sales | $ 195,698 | $ 4,464 | $ 200,162 |
| Gross profit | 30,683 | 1,864 | 32,547 |
| General and administrative expenses | 30,127 | 1,718 | 31,845 |
| Operating income | 556 | 146 | 702 |
| Interest expense | | | 3,058 |
| Other income (expense), net | | | 666 |
| Loss on debt extinguishment | | | 1,681 |
| Foreign currency loss, net | | | (24) |
| Identifiable assets | $ 76,270 | $ 5,060 | $ 81,330 |
| Depreciation expense | $ 1,877 | $ 38 | $ 1,915 |
| Amortization expense | $ 798 | $ 269 | $ 1,067 |
| Capital expenditures | $ 1,892 | $ 149 | $ 2,041 |

| 2015 | DOMESTIC | INTERNATIONAL | CONSOLIDATED |
|---|---|---|---|
| Net sales | $ 202,092 | $ 3,595 | $ 205,687 |
| Gross profit | 37,582 | 1,576 | 39,158 |
| General and administrative expenses | 33,926 | 1,662 | 35,588 |
| Operating income (expense) | 3,656 | (86) | 3,570 |
| Interest expense | | | 3,545 |
| Other income (expense), net | | | — |
| Loss on debt extinguishment | | | 1,449 |
| Foreign currency gain, net | | | 75 |
| Identifiable assets | $ 86,531 | $ 5,804 | $ 92,335 |
| Depreciation expense | $ 1,800 | $ 42 | $ 1,842 |
| Amortization expense | $ 330 | $ 405 | $ 735 |
| Capital expenditures | $ 1,479 | $ 71 | $ 1,550 |

### Note 11—Pro forma financial information (unaudited)

The Company has not presented historical basic and diluted net loss per share because the historical capital structure makes the presentation of net loss per share not meaningful, as the Company does not have any shares of common stock outstanding as of December 31, 2016.

Unaudited pro forma financial information has been presented to disclose the pro forma income tax expense and net loss attributable to PetIQ, Inc., the registrant in the accompanying Registration Statement on Form S-1
(Form S-1) to register shares of Class A common stock of PetIQ Inc. The unaudited pro forma financial information reflects an adjustment to the provision for income taxes to reflect an effective tax rate of %, which was calculated using the U.S. federal income tax rate and the highest statutory rates applied to income apportioned to each state and local jurisdiction. This tax rate has been applied to the % portion of income before taxes that represents the economic interest in PetIQ Holdings, LLC that will be held by PetIQ Inc. upon completion of the Merger and Reclassification disclosed in the Form S-1, but before application of the proceeds of the offering. In addition, pro forma provision for income taxes includes the historical provision for income taxes of $ related to PetIQ, LLC. The sum of these amounts represents total pro forma provision for income taxes of $ .

The unaudited pro forma financial information also reflects the effects of the Contributions and Reclassification on the allocation of pro forma net loss between noncontrolling interests and PetIQ, Inc. After the Merger and Reclassification, but prior to the completion of the offering, the noncontrolling interests of PetIQ, Inc. held by the continuing owners of PetIQ Holdings, LLC will have a % economic ownership of PetIQ Holdings, LLC, and as such, % of pro forma net loss will be attributable to the noncontrolling interests.

The pro forma unaudited net loss per share has been prepared using pro forma net loss, as set forth above, which reflects the pro forma effects on provision for income taxes and the allocation of pro forma net loss between noncontrolling interests and PetIQ, Inc., resulting from the Contributions and Reclassification, but before application of the proceeds of the offering. In addition, pro forma weighted average shares outstanding includes Class A common stock of PetIQ, Inc. that will be outstanding after the Contributions and Reclassification, but before the offering.

The supplemental pro forma information has been computed, assuming an initial public offering price of
$ per share, the midpoint in the estimated price range set forth on the cover of the prospectus included in the Company's Form S-1 Registration Statement. The computations assume there will be no exercise by the underwriters of their option to purchase additional shares of Class A common stock.

**Shares**

# PetIQ, Inc.

## Class A Common Stock

**Preliminary Prospectus**

*Joint Book-Running Managers*

**Jefferies**
**William Blair**

*Co-Managers*

**Oppenheimer & Co.**
**Raymond James**
**SunTrust Robinson Humphrey**

, 2017

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

### Item 13. Other Expenses of Issuance and Distribution

The following table sets forth all expenses to be paid by the registrant, other than estimated underwriting discounts and commissions, in connection with our initial public offering. All amounts shown are estimates except for the SEC registration fee, the FINRA filing fee and the NASDAQ listing fee:

| | |
|---|---|
| SEC registration fee | $ 9,851.50 |
| FINRA filing fee | 650.00 |
| NASDAQ listing fee | * |
| Printing expenses | * |
| Legal fees and expenses | * |
| Accounting fees and expenses | * |
| Blue sky fees and expenses (including legal fees) | * |
| Transfer agent and registrar fees | * |
| Miscellaneous | * |
| Total | $ * |

* To be filed by amendment

### Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law, or DGCL, authorizes a corporation's board of directors to grant, and authorizes a court to award, indemnity to officers, directors and other corporate agents.

As permitted by Section 102(b)(7) of the DGCL, the registrant's certificate of incorporation to be in effect upon the closing of this offering includes provisions that eliminate the personal liability of its directors for monetary damages for breach of their fiduciary duty as directors, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit.

In addition, as permitted by Section 145 of the DGCL, the bylaws of the registrant to be effective upon completion of this offering provide that:

- The registrant shall indemnify its directors and officers for serving the registrant in those capacities or for serving other business enterprises at the registrant's request, to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the registrant and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful.
- The registrant may, in its discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law.
- The registrant is required to advance expenses, as incurred, to its directors and officers in connection with defending a proceeding, except that such director or officer shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification.
- The registrant will not be obligated pursuant to the bylaws to indemnify a person with respect to proceedings initiated by that person, except with respect to proceedings authorized by the registrant's board of directors or brought to enforce a right to indemnification.

- The rights conferred in the bylaws are not exclusive, and the registrant is authorized to enter into indemnification agreements with its directors, officers, employees and agents and to obtain insurance to indemnify such persons.
- The registrant may not retroactively amend the bylaw provisions to reduce its indemnification obligations to directors, officers, employees and agents.

The registrant will enter into separate indemnification agreements with each of its directors and officers that provide the maximum indemnity allowed to directors and executive officers by Section 145 of the DGCL and certain additional procedural protections. The registrant will also maintain directors and officers insurance to insure such persons against certain liabilities.

These indemnification provisions and the indemnification agreements entered into between the registrant and its officers and directors may be sufficiently broad to permit indemnification of the registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act. Insofar as indemnification for liabilities arising under the Securities Act, may be permitted to directors or executive officers, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

The underwriting agreement to be filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of the registrant and its officers and directors for certain liabilities arising under the Securities Act and otherwise.

### Item 15. Recent Sales of Unregistered Securities

In connection with the recapitalization transactions described in the accompanying prospectus, the registrant will issue shares of Class A common stock to certain entities affiliated with Eos Partners, L.P. and certain entities affiliated with Porchlight Equity Partners. In addition, the registrant will issue shares of Class B common stock to owners of PetIQ Holdings, LLC prior to the consummation for this offering. The shares of Class A common stock and Class B common stock described above will be issued in reliance on the exemption contained in Section 4(a)(2) of the Securities Act of 1933 on the basis that the transaction will not involve a public offering. No underwriters will be involved in the transaction.

Unless otherwise stated, the sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act (or Regulation D or Regulation S promulgated thereunder), or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions.

### Item 16. Exhibits and Financial Statement Schedules

(3) *Exhibits.* The following exhibits are included herein or incorporated herein by reference:

| EXHIBIT NUMBER | DESCRIPTION |
|---|---|
| 1.1* | Form of Underwriting Agreement |
| 3.1* | Form of Amended and Restated Certificate of Incorporation of PetIQ, to be effective upon the closing of this offering |
| 3.2* | Form of Bylaws of PetIQ, to be effective upon the closing of this offering |
| 4.1* | Specimen Stock Certificate evidencing the shares of Class A common stock |
| 5.1* | Form of opinion of Winston & Strawn LLP |
| 10.2* | Form of Registration Rights Agreement, to be effective upon the closing of this offering |
| 10.3** | Fifth Amended and Restated Limited Liability Company Agreement of True Science Delaware Holdings, LLC, as currently in effect |
| 10.4* | Form of Sixth Amended and Restated LLC Agreement of PetIQ Holdings, LLC, to be effective upon the closing of this offering |
| 10.5* | Form of Contribution Agreement, to be effective upon the closing of this offering |
| 10.6* | Form of Preference Notes, to be effective upon the closing of this offering |
| 10.7* | Form of Recapitalization Agreement, to be effective upon the closing of this offering |
| 10.8+** | Employment and Non-Competition Agreement, dated May 31, 2012, between True Science Holdings, LLC and Scott Adcock. |
| 10.9+** | Employment and Non-Competition Agreement, dated May 31, 2012, between True Science Holdings, LLC and McCord Christensen. |
| 10.10+** | Offer Letter, dated March 6, 2014, between True Science and John Newland. |
| 10.11*+ | PetIQ, Inc. Omnibus Incentive Plan |
| 10.12*+ | Form of Award Agreement under PetIQ, Inc. Omnibus Incentive Plan |
| 10.13*+ | Form of Indemnification Agreement for Directors and Officers |
| 10.14 | Credit Agreement, dated as of December 21, 2016, among PetIQ, LLC, the other credit parties thereto, East West Bank and the other lenders thereto. |
| 10.15** | Amended and Restated Credit Agreement, dated March 24, 2016, among PetIQ, LLC, the other credit parties thereto, Crystal Financial LLC and the other lenders party thereto. |
| 21.1* | List of subsidiaries of PetIQ |
| 23.1 | Consent of KPMG LLP |
| 23.3* | Consent of Winston & Strawn LLP (included in Exhibit 5.1) |
| 24.1 | Powers of Attorney (included in signature pages of this registration statement) |

\+ Indicates exhibits that constitute management contracts or compensatory plans or arrangements
* Indicates to be filed by amendment.
** Indicates previously filed.

(b) *Financial Statement Schedules.* All financial statement schedules are omitted because they are not applicable or the information is included in the registrant's consolidated financial statements or related notes.

### Item 17. Undertakings

(1) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(2) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(3) The undersigned registrant hereby undertakes that:

(A) for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and

(B) for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(4) The undersigned Registrant hereby undertakes that, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) The undersigned Registrant hereby undertakes that, for the purpose of determining liability of the Registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(1) Any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 424;
(2) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned Registrant or used or referred to by the undersigned Registrant;
(3) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and
(4) Any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

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## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Eagle, Idaho on this 23rd day of June, 2017.

PetIQ, Inc.
By: /s/ McCord Christensen
Name: McCord Christensen
Title: Chief Executive Officer

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints McCord Christensen and John Newland and each of them, as his true and lawful attorney in fact and agent with full power of substitution, for him in any and all capacities, to sign any and all amendments to this registration statement (including post effective amendments or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney in fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney in fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

| SIGNATURE | TITLE | DATE |
|---|---|---|
| /s/ McCord Christensen<br>McCord Christensen | Chief Executive Officer and Chairman of the Board of Directors<br>(Principal Executive Officer) | June 23, 2017 |
| /s/ John Newland<br>John Newland | Chief Financial Officer and Corporate Secretary<br>(Principal Financial Officer Principal Accounting Officer) | June 23, 2017 |
| /s/ Scott Adcock<br>Scott Adcock | President and Director | June 23, 2017 |
| /s/ Mark First<br>Mark First | Director | June 23, 2017 |
| /s/ Gary Michael<br>Gary Michael | Director | June 23, 2017 |
| /s/ James Clarke<br>James Clarke | Director | June 23, 2017 |
| /s/ Ronald Kennedy<br>Ronald Kennedy | Director | June 23, 2017 |

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## EXHIBIT INDEX

| EXHIBIT NUMBER | DESCRIPTION |
|---|---|
| 1.1* | Form of Underwriting Agreement |
| 3.1* | Form of Amended and Restated Certificate of Incorporation of PetIQ, to be effective upon the closing of this offering |
| 3.2* | Form of Bylaws of PetIQ, to be effective upon the closing of this offering |
| 4.1* | Specimen Stock Certificate evidencing the shares of Class A common stock |
| 5.1* | Form of opinion of Winston & Strawn LLP |
| 10.2* | Form of Registration Rights Agreement, to be effective upon the closing of this offering |
| 10.3** | Fifth Amended and Restated Limited Liability Company Agreement of True Science Delaware Holdings, LLC, as currently in effect |
| 10.4* | Form of Sixth Amended and Restated LLC Agreement of PetIQ Holdings, LLC, to be effective upon the closing of this offering |
| 10.5* | Form of Contribution Agreement, to be effective upon the closing of this offering |
| 10.6* | Form of Preference Notes, to be effective upon the closing of this offering |
| 10.7* | Form of Recapitalization Agreement, to be effective upon the closing of this offering |
| 10.8+** | Employment and Non-Competition Agreement, dated May 31, 2012, between True Science Holdings, LLC and Scott Adcock. |
| 10.9+** | Employment and Non-Competition Agreement, dated May 31, 2012, between True Science Holdings, LLC and McCord Christensen. |
| 10.10+** | Offer Letter, dated March 6, 2014, between True Science and John Newland. |
| 10.11*+ | PetIQ, Inc. Omnibus Incentive Plan |
| 10.12*+ | Form of Award Agreement under PetIQ, Inc. Omnibus Incentive Plan |
| 10.13*+ | Form of Indemnification Agreement for Directors and Officers |
| 10.14 | Credit Agreement, dated as of December 21, 2016, among PetIQ, LLC, the other credit parties thereto, East West Bank and the other lenders thereto. |
| 10.15** | Amended and Restated Credit Agreement, dated March 24, 2016, among PetIQ, LLC, the other credit parties thereto, Crystal Financial LLC and the other lenders party thereto. |
| 21.1* | List of subsidiaries of PetIQ |
| 23.1 | Consent of KPMG LLP |
| 23.3* | Consent of Winston & Strawn LLP (included in Exhibit 5.1) |
| 24.1 | Powers of Attorney (included in signature pages of this registration statement) |

\+ Indicates exhibits that constitute management contracts or compensatory plans or arrangements
* Indicates to be filed by amendment
** Indicates previously filed.

**Exhibit 10.14**

*Execution Version*

# CREDIT AGREEMENT

Dated as of December 21, 2016

among

**PETIQ, LLC,**
as a Borrower and as Borrower Representative,

The Other Credit Parties Party Hereto,

**EAST WEST BANK** and the other Lenders Party Hereto,

and

**EAST WEST BANK**,
as Administrative Agent, L/C Issuer and Swingline Lender

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SCHEDULES



EXHIBITS

**CREDIT AGREEMENT**

This **CREDIT AGREEMENT** (this "Agreement") is entered into as of December 21, 2016 among:

(a) **PETIQ, LLC**, an Idaho limited liability company ("PETIQ"), as a Borrower (as defined below) and as the Borrower Representative (as defined in Section 2.19) for the other Borrowers party hereto;

(b) **TRUE SCIENCE HOLDINGS, LLC**, a Florida limited liability company, **TRURX LLC**, an Idaho limited liability company, and **TRU PRODIGY, LLC**, a Texas limited liability company (together with PETIQ each individually, a "Borrower" and collectively, the "Borrowers");

(c) the other Credit Parties party hereto;

(d) **EAST WEST BANK** and each other Lender from time to time party hereto; and

(e) **EAST WEST BANK**, as Administrative Agent, L/C Issuer and Swingline Lender.

WHEREAS, the Borrowers are parties to an Amended and Restated Credit Agreement dated as of March 24, 2016, as amended (collectively, the "Existing Credit Agreement") with Crystal (as defined below) and East West Bank (collectively, the "Existing Lenders") and the Agents identified therein, pursuant to which the Existing Lenders provide a revolving credit facility (including a sub-facility for letters of credit) and term credit facilities to the Borrowers; and

WHEREAS, the parties hereto desire to enter into this Agreement, pursuant to which the Lenders hereunder will provide the Borrowers a revolving credit facility (with sub-facilities for letters of credit and swing line loans) and a term credit facility, the proceeds of which the Borrowers will use (a) to repay all of their outstanding "Obligations" to the Existing Lenders and the Agents under (and as defined in) the Existing Credit Agreement, (b) for working capital, and (c) for one or more of the other permitted purposes provided for herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

## ARTICLE I
## DEFINITIONS AND ACCOUNTING TERMS

**1.01 Defined Terms.** As used in this Agreement, the following terms shall have the meanings set forth below:

"Acquisition" means a transaction or series of transactions resulting in (a) the acquisition of a business, division or substantially all assets of a Person; (b) the record or beneficial ownership of 50% or more of the Capital Stock of a Person; or (c) a merger, consolidation or combination of any Credit Party or any its Subsidiaries with another Person.

"Act" has the meaning specified in Section 10.15.

"Administrative Agent" means East West Bank, acting as administrative agent for the Secured Parties, or any successor administrative agent appointed in accordance with this Agreement.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify the Borrowers and the Lenders.

"Administrative Questionnaire" means an administrative questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agency Account Agreement" means any account control agreement, lockbox control agreement, blocked account agreement or other similar agreement entered into by a Credit Party, the Administrative Agent and the applicable financial institution, in form and substance reasonably satisfactory to the Administrative Agent and establishing "control" of the relevant deposit account (within the meaning of Section 9-104 of the UCC) in favor of the Administrative Agent.

"Aggregate Commitments" means the sum of the Revolving Credit Facility and the Term Loan Facility.

"Agreement" has the meaning specified in the introductory paragraph hereto.

"Applicable Margin" means (a) with respect to Revolving Credit Loans that are Base Rate Loans, 0.50%, (c) with respect to Revolving Credit Loans that are Eurodollar Rate Loans, 3.00%, (d) with respect to Term Loans that are Base Rate Loans, 0.50% and (e) with respect to Term Loans that are Eurodollar Rate Loans, 3.25%.

"Applicable Percentage" means (a) with respect to any Revolving Credit Lender at any time, the percentage (carried out to the ninth decimal place) of the Revolving Credit Facility represented by such Revolving Credit Lender's Revolving Credit Commitment at such time; and if the Revolving Credit Commitment of each Revolving Credit Lender to make Revolving Credit Loans, the obligation of the L/C Issuer to make L/C Credit Extensions, and the obligation of the Swingline Lender to make Swingline Loans have been terminated pursuant to Section 8.02 or if the Revolving Credit Facility has expired, then the Applicable Percentage of each Revolving Credit Lender shall be determined based on the Applicable Percentage of such Revolving Credit Lender most recently in effect, giving effect to any assignments permitted hereby that are subsequent to such termination or expiration; and (b) with respect to any Term Loan Lender at any time, the percentage (carried out to the ninth decimal place) of the Term Loan Facility represented by such Term Loan Lender's Term Loans at such time. The Applicable Percentage of each Lender on the Closing Date is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

"Appraiser" means an appraisal firm reasonably acceptable to the Administrative Agent.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignee Group" means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit E or any other form approved by the Administrative Agent.

"Attributable Indebtedness" means, on any date, (a) in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

"Auditor" shall mean KPMG, LLP, or any other nationally recognized independent certified public accounting firm as shall be retained by Borrowers.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Bankruptcy Code" means Title 11 of the United States Code as now and hereinafter in effect and any successors to such statutes.

"Base Rate" means for any day a fluctuating rate per annum equal to the rate last quoted by The Wall Street Journal as the "Prime Rate" in the United States or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by the Administrative Agent) or any similar release by the Federal Reserve Board (as determined by the Administrative Agent). Any change in the Base Rate due to a change in any of the foregoing shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" means a Revolving Credit Loan or a Term Loan that bears interest based upon the Base Rate.

"Borrower" and "Borrowers" have the meaning specified in the introductory paragraph hereto.

"Borrower Materials" has the meaning specified in Section 6.04.

"Borrower Representative" means PETIQ in its capacity as borrower agent pursuant to Section 2.19.

"Borrowing" means a Revolving Credit Borrowing, a Swingline Loan Borrowing, or a Term Loan Borrowing, as the context may require.

"Borrowing Base" means, as of any date of determination by the Administrative Agent from time to time, an amount in Dollars equal to the sum of:

(a) up to 85% of the Net Orderly Liquidation Value of the Cost of Eligible On-Hand Finished Goods Inventory at such date; plus

(b) up to 85% of the Net Orderly Liquidation Value of the Cost of Eligible In-Transit Finished Goods Inventory at such date; plus

(c) such amount as the Administrative Agent may determine in its sole discretion with respect to the Net Orderly Liquidation Value of the Cost of Eligible Raw Materials Inventory on such date (which amount shall in no event exceed 65% of the Net Orderly Liquidation Value of the Cost of Eligible Raw Materials Inventory at any time), provided, that the component of the Borrowing Base relating to this clause (e) on the Closing Date shall be deemed to be $0; plus;

(d) up to 85% of the book value of Eligible Receivables; plus

(e) up to 50% of the Net Orderly Liquidation Value of Eligible Equipment, provided, that the component of the Borrowing Base relating to this clause (d) shall not exceed $2,500,000 in the aggregate at any time); minus

(f) any Reserves established by the Administrative Agent from time to time in its Permitted Discretion in accordance with this Agreement.

"Borrowing Base Certificate" means the certificate in substantially the form of Exhibit F hereto or in such other form reasonably acceptable to the Administrative Agent, signed by a Financial Officer of the Borrower Representative and delivered to the Administrative Agent and the Lenders pursuant to Sections 4.01(d) and 6.04(d) hereof.

"Breakage Costs" has the meaning specified in Section 3.05.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located and, if such day relates to the calculation of the Eurodollar Rate, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

"CAP Supply Agreement" means that certain Exclusive Distribution and Supply Agreement, dated as of **[August 22, 2014]** between CAP Supply, Inc., a Delaware corporation, and PETIQ, LLC (f/k/a/ True Science Holdings, LLC), an Idaho limited liability company.

"Capital Expenditures" means, with respect to the Credit Parties and their Subsidiaries, all expenditures (by the expenditure of cash or the incurrence of Indebtedness) by the Credit Parties and their Subsidiaries during any measuring period for any fixed or capital assets or improvements or for replacements, substitutions or additions thereto that are required to be capitalized and shown on the balance sheet of the Credit Parties and their Subsidiaries in accordance with GAAP.

"Capital Stock" means any and all shares, limited liability company interests, partnership interests, other interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Capitalized Leases" means leases under which any Credit Party is the lessee or obligor, the discounted future rental payment obligations under which are required to be capitalized on the balance sheet of the lessee or obligor in accordance with GAAP.

"Cash Equivalents" means any of the following types of Investments, to the extent owned by a Credit Party:

(a) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within one year from the date of acquisition thereof;

(b) commercial paper maturing no more than 270 days from the date of creation thereof and having the highest or next highest rating obtainable from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc. determined at the time of investment;

(c) certificates of deposit, banker's acceptances and time deposits maturing no more than 180 days from the date of creation thereof issued or guaranteed by, or placed with, and demand deposit and money market deposit accounts issued or offered by, (i) any Lender or (ii) any commercial bank, that at the time of investment, (x) has combined capital, surplus and undivided profits of not less than $500,000,000, (y) a senior unsecured rating of "A" or better by a nationally recognized rating agency and (z) is organized under the laws of the United States of America, any state thereof or is the principal banking subsidiary of a bank holding company organized under the laws of the United States or any state thereof;

(d) money market mutual funds that invest solely in one or more of the investments described in clauses (a) through (c) above;

"Cash Collateralize" means, to pledge and deposit with or deliver to the Administrative Agent, for the benefit of one or more of the L/C Issuer, the Swingline Lender or the Revolving Credit Lenders, as collateral for L/C Obligations, the Swingline Loans, the Obligations, or obligations of the Revolving Credit Lenders to fund participations in respect of L/C Obligations or to make Revolving Credit Loans to repay outstanding Swingline Loans, (a) cash or deposit account balances, (b) backstop letters of credit entered into on terms, from issuers and in amounts reasonably satisfactory to the Administrative Agent, the L/C Issuer, or the Swingline Lender, or (c) if the Administrative Agent, the L/C Issuer or the Swingline Lender shall agree, in its sole discretion, other credit support, in each case, in Dollars and pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent, the L/C Issuer or the Swingline Lender. "Cash Collateral" shall have a meaning correlative to the foregoing and shall include the proceeds of such Cash Collateral and other credit support.

"Cash Management Agreement" means any agreement that is not prohibited by the terms hereof to provide (i) treasury or cash management services, including deposit accounts, overnight draft, funds transfer, automated clearinghouse, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation and/or (ii) credit cards, debit cards, p-cards (including purchasing cards and commercial cards), reporting and trade finance services and other cash management services; provided, that "Cash Management Agreement" shall in no event include any agreements of the type prohibited by Section 7.09.

"Cash Management Bank" means any Person in its capacity as a party to a Cash Management Agreement that, at the time it enters into a Cash Management Agreement with a Credit Party or any Subsidiary, is a Lender or an Affiliate of a Lender, in its capacity as a party to such Cash Management Agreement (even if such Person ceases to be a Lender or such Person's Affiliate ceased to be a Lender); provided, however, that for any of the foregoing to be included as a "Secured Cash Management Agreement" on any date of determination by the Administrative Agent, the applicable Cash Management Bank (other than the Administrative Agent or an Affiliate of the Administrative Agent) must have delivered a Secured Party Designation Notice to the Administrative Agent prior to such date of determination.

"Cash Management Obligations" means, as of any date of determination thereof, the aggregate outstanding obligations of Borrowers to Cash Management Banks pursuant to Cash Management Agreements, provided that Cash Management Obligations (i) may not exceed $2,000,000 at any time and (ii) with respect to the obligations pursuant to Cash Management Agreements described in clause (ii) of the definition thereof, such Cash Management Obligations shall not exceed in the aggregate $500,000 out of the $2,000,000 aggregate cap amount at any time; for the avoidance of doubt, the $500,000 sublimit provided herein is a part of, and not in addition to, the overall $2,000,000 aggregate limit.

"Casualty Event" means, with respect to any property (including any interest in property) of any Credit Party, any loss of, damage to, or condemnation or other taking of, such property for which any Credit Party receives insurance proceeds, proceeds of a condemnation award or other compensation.

"CERCLA" has the meaning specified in the definition of "Environmental Laws."

"CFC" means a Person that is a controlled foreign corporation under Section 957 of the Code.

"CFC Holding Company" shall mean a U.S. Subsidiary substantially all of the assets of which consist of the equity or intercompany debt of one or more direct or indirect non-U.S. Subsidiaries that are a CFC.

"Change in Law" means the occurrence, after the date of this Agreement (or with respect to any Lender, if later, the date on which such Lender becomes a Lender), of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law," regardless of the date enacted, adopted or issued.

"Change of Control" means an event or series of events by which:

(a) at any time prior to the consummation of a Qualifying IPO, equity securities in the Parent representing more than 50% of the combined voting power of all of equity securities entitled to vote for members of the board of directors or equivalent governing body of the Parent on a fully-diluted basis (and (i) taking into account all such securities that Sponsors and the other equity holders of equity interests of the Parent have the right to acquire pursuant to any option right and (ii) excluding any Capital Stock of Parent held by any Person acting in the capacity of an underwriter in connection with a public offering of Capital Stock of Parent) shall fail to be owned and controlled, legally and beneficially (free and clear of all Liens), either directly or indirectly, by two or more of the Sponsors;

(b) during any consecutive twelve month period, (x) a majority of the members of the board of directors or other equivalent governing body of Parent cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors) and (y) the board of directors or other equivalent governing body of Parent fails to be comprised of at least three (3) representatives of, or representatives appointed by, ECP IV TS Investor Co., Highland Consumer Fund I-B Limited Partnership, and/or Labore et Honore LLC; or

(c) any Person or two or more Persons acting in concert (other than the Sponsors and any Person acting in the capacity of an underwriter in connection with a public offering of Capital Stock of Parent) shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of such Credit Party, or control over the equity securities of Parent entitled to vote for members of the board of directors or equivalent governing body of Parent on a fully-diluted basis (and taking into account all such securities that such Person or group has the right to acquire pursuant to any option right) representing 25% or more of the combined voting power of such securities; or

(d) Parent shall cease to directly or indirectly own and control legally and beneficially 100% of the Capital Stock of PETIQ (free and clear of all Liens other than Liens in favor of the Administrative Agent granted under the Security Documents; or

(e) except to the extent permitted by Section 7.05, any Borrower or any Subsidiary of any Borrower shall cease to directly or indirectly own and control legally and beneficially 100% of the Capital Stock of each of its Subsidiaries in existence on the date hereof or acquired or formed after the date hereof, free and clear of all Liens other than Liens in favor of the Administrative Agent granted under the Security Documents.

"Closing Date" means the date of this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means all of the property, rights and interests of the Credit Parties that are or are intended to be subject to the Liens created by the Security Documents.

"Collection Account" has the meaning specified in Section 6.17(a).

"Commitment" means the Revolving Credit Commitments and/or the Term Loan Commitments, as the context may require.

"Competitor" means a company engaged in the manufacture or distribution of over-the-counter and prescription pet medication, pet-health, pet treats and pet food related products.

"Compliance Certificate" means a certificate substantially in the form of Exhibit D.

"Concentration Account" has the meaning specified in Section 6.17(a).

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Consolidated Current Assets" means, at any date, all amounts (other than cash and Cash Equivalents) that would, in conformity with GAAP, be set forth opposite the caption "total current assets" (or any like caption) on a consolidated balance sheet of the Parent and its Subsidiaries (other than the Mark and Chappel Entities) at such date.

"Consolidated Current Liabilities" means, at any date, all amounts that would, in conformity with GAAP, be set forth opposite the caption "total current liabilities" (or any like caption) on a consolidated balance sheet of the Parent and its Subsidiaries (other than the Mark and Chappel Entities) at such date, but excluding (a) the current portion of any Indebtedness for borrowed money and (b) without duplication of clause (a) above, all Indebtedness consisting of Revolving Credit Loans or Swingline Loans to the extent otherwise included therein.

"Consolidated EBITDA" means, with respect to the Parent and its Subsidiaries (other than the Mark and Chappell Entities), on a consolidated basis, for any period, without duplication, an amount equal to:

(a) Consolidated Net Income for such period; plus

(b) the sum of, without duplication, (i) any provision for income taxes, (ii) Consolidated Interest Expense and (iii) depreciation and amortization, in each case to the extent included in the calculation of Consolidated Net Income for such period; plus

(c) non-recurring legal expenses for patent product litigation disclosed on Schedule 5.07 and incurred through June 30, 2016, in an amount in the aggregate at all times not to exceed the amount therefor set forth on Schedule 1.01 for the relevant period set forth on such Schedule on the line item marked "Patent Litigation Expenses"; plus

(d) other one-time, non-recurring and non-cash expenses or losses that have been deducted in determining Consolidated Net Income disclosed in writing to, and deemed acceptable by, the Administrative Agent; plus

(f) one-time cash losses incurred during December, 2015 in an aggregate amount not in excess of $848,000 relating to the write-off of prepayments made by PETIQ to Blue Ridge Pharmaceutical Distribution, Inc.; plus

(g) one-time costs expensed during September, 2016 relating to cash spent in preparation for an initial public offering of one or more direct or indirect parent entities of True Science Holdings, LLC not in excess of (i) $2,041,610 in the aggregate and (ii) the amounts set forth on Schedule 1.01-B, individually; provided, that such amounts shall not be duplicative of any other amounts added back pursuant to clauses (b) through (f) above; plus

(h) costs and expenses incurred in connection with the execution and delivery of the Existing Credit Agreement and the other "Loan Documents" entered into in connection therewith (and as defined therein) as of the "Restatement Effective Date" under (and as defined in) the Existing Credit Agreement in an aggregate amount not in excess of $586,000; minus

(i) costs and expenses incurred in connection with the execution and delivery of this Agreement and the other Loan Documents in an aggregate amount not in excess of $750,000; and

(j) the sum of, without duplication, (A) income tax credits and cash refunds actually received and (B) any non-cash gains that have been added in determining Consolidated Net Income, in each case to the extent included in the calculation of Consolidated Net Income for such period.

"Consolidated Fixed Charge Coverage Ratio" means, as at any date of determination, the ratio of (a) the result of (i) Consolidated EBITDA for the Reference Period most recently ended at such date of determination, minus (ii) the aggregate amount of all Unfinanced Capital Expenditures during such period minus (iii) the aggregate amount paid, or required to be paid (without duplication), in cash in respect of the current portion of all federal, state, local and foreign income taxes for such period to (b) the sum of (i) the aggregate amount of Consolidated Interest Expense paid or payable in cash for such period and (ii) the aggregate amount of all regularly scheduled payments of principal of Indebtedness for borrowed money during such period paid or required to be paid by the Credit Parties, but not including any principal payments in respect of the Revolving Credit Loans hereunder or any other revolving credit facility unless such payment of the Revolving Credit Loans or under such revolving credit facility, as applicable, results in a permanent reduction thereunder.

"Consolidated Interest Expense" means, for any period, for the Parent and its Subsidiaries on a consolidated basis (other than the Mark and Chappell Entities), the sum of (a) all interest, premium payments, debt discount, fees, charges and related expenses in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, (b) all interest paid or payable with respect to discontinued operations and (c) the portion of rent expense under Capitalized Leases that is treated as interest in accordance with GAAP.

"Consolidated Net Income" means, at any date of determination for any period of determination, the net income (or loss) of the Parent and its Subsidiaries on a consolidated basis (other than the Mark and Chappell Entities) for such period, but excluding (a) extraordinary gains and extraordinary losses (but, for the avoidance of doubt, such exclusions shall not include extraordinary losses on account of write-offs or write-downs of Inventory or Receivables) for such period and (b) the net income of any Subsidiary during such period to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of such income is not permitted by operation of the terms of its Governing Documents or any agreement, instrument or Law applicable to such Subsidiary during such period and is not actually distributed during such period to a Credit Party.

"Consolidated Working Capital" means, on any date, the excess of Consolidated Current Assets on such date over Consolidated Current Liabilities on such date.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Cost" means, with respect to any Eligible On-Hand Finished Goods Inventory, Eligible In-Transit Finished Goods Inventory or Eligible Raw Materials Inventory, standard cost as reported on the Borrowers' stock ledger from time to time based upon the Borrowers' accounting practices as in effect on the Closing Date.

"Credit Extension" means each of the following: (a) a Borrowing; and (b) an L/C Credit Extension.

"Credit Parties" means the Borrowers and the Guarantors.

"Crystal" means Crystal Financial LLC and its successors and permitted assigns.

"Customer Agreement" shall mean the supplier agreements with Wal-Mart and Sam's Club.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Default Rate" means when used with respect to Obligations, an interest rate or rate equal to the interest rate or rate otherwise applicable thereto plus 2% per annum.

"Defaulting Lender" means, subject to Section 2.16(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrowers in writing that such failure is the result of such Lender's good faith determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied and the Required Lenders have not advised the Administrative Agent that such condition has been met, or (ii) pay to the Administrative Agent or any Lender any other amount required to be paid by it hereunder within two Business Days of the date when due, (b) has notified the Borrowers and the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's good faith determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied) and the Required Lenders have not advised the Administrative Agent that such condition has been met, (c) has failed, within three

Business Days after written request by the Administrative Agent, to confirm in writing to the Administrative Agent that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent), (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) become the subject of a Bail-in Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Capital Stock in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (e) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower and each Lender promptly following such determination.

"Designated Jurisdiction" means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

"Disclosed Litigation" shall mean the litigation matters described on Schedule 5.07.

"Disqualified Lender" has the meaning specified in the proviso to Section 10.01(g).

"Dollar" and "$" mean lawful money of the United States.

"Domestic Subsidiary" means any Subsidiary that is organized under the laws of any political subdivision of the United States.

"Early Revolving Credit Facility Termination Fee" means an early termination fee that the Borrowers shall pay to the Revolving Credit Lenders concurrently with the reduction or termination of Revolving Credit Commitments and related payment of Revolving Credit Loans prior to the Maturity Date of the Revolving Credit Facility, whether as a result of acceleration, whether voluntary or mandatory or otherwise, in an amount equal to (a) 0.50% of the principal amount of the Revolving Credit Commitments reduced or terminated and the related payment of Revolving Credit Loans to the extent such reduction or termination occurs on or before the one-year anniversary of the Closing Date and (b) 0.25% of the principal amount of the Revolving Credit Commitments reduced or terminated and the related payment of Revolving Credit Loans to the extent such payment, reduction or termination occurs after the one-year anniversary of the Closing Date; provided, that such payment shall be accompanied by a commensurate permanent reduction or termination of the Revolving Credit Facility and provided, further, that no such fee shall be due in the event the Revolving Credit Facility is refinanced in full with East West Bank or an Affiliate thereof.

"Early Term Loan Termination Fee" means an early termination fee that the Borrowers shall pay to the Term Loan Lenders concurrently with the payment of Term Loans prior to the Maturity Date of the Term Loan Facility, whether as a result of acceleration, whether voluntary or mandatory or otherwise, in an amount equal to (a) 0.50% of the principal amount of the Term Loans paid to the extent such payment or reduction occurs on or before the one-year anniversary of the Closing Date and (b) 0.25% of the principal amount of the Term Loans paid to the extent such payment or reduction occurs after the one-year anniversary of the Closing Date but on or before the two-year anniversary of the Closing Date.

"Early Termination Fee" means an Early Revolving Credit Facility Termination Fee or an Early Term Loan Termination Fee, as applicable.

"East West Bank" means East West Bank, a California banking corporation.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Electronic Medium" means the electronic medium through which notices and other communications are sent (including e-mail) pursuant to procedures approved by the Administrative Agent and otherwise in accordance with Section 10.02(b).

"Eligible Assignee" means any Person that meets the requirements to be an assignee under Section 10.06(b)(iii) and (v) (subject to such consents, if any, as may be required under Section 10.06(b)(iii)).

"Eligible Equipment" means Equipment of the Borrowers and their Subsidiaries subject to the Lien of the Security Documents; provided, however, that none of the following classes of Equipment shall be deemed to be Eligible Equipment:

(a) Equipment located on leaseholds as to which the lessor has not entered into a consent and agreement providing the Administrative Agent with the right to receive notices of default, the right to repossess such Equipment at any time and such other rights as may be requested by the Administrative Agent;

(b) Equipment which fails to be free and clear of all Liens;

(c) Equipment with respect to which the representations and warranties set forth in the Loan Documents applicable to Equipment are not correct;

(d) Equipment which has ceased to be subject at all times to the valid and perfected first priority lien or security interest of the Administrative Agent, on behalf of the Secured Parties, securing the Obligations;

(e) Equipment which is not covered by casualty and other insurance policies as required by Section 5.11 in all respects acceptable to the Administrative Agent and as to which coverage has been accepted;

(f) Equipment which is obsolete or worn out;

(g) Equipment comprising rolling stock, motor vehicles, office supplies, molds or tooling, or fixtures affixed to real property; and

(h) Equipment which is determined to be unacceptable by the Administrative Agent in its Permitted Discretion.

"Eligible Inventory" means, with respect to the Borrowers, Inventory held for sale in the ordinary course of business and owned by the Borrowers, which are reflected in the most recent Borrowing Base Certificate delivered by the Borrower Representative to the Administrative Agent, subject to adjustment from time to time as set forth in Section 2.20. Without limiting the generality of the foregoing but subject to adjustment from time to time as set forth in Section 2.20, no Inventory shall be Eligible Inventory if:

(a) it is not Inventory that, in the Administrative Agent's Permitted Discretion, is readily marketable in its current form;

(b) it is not in good and saleable condition;

(c) it is used, vintage, imperfects, damaged, defective, shopworn, "seconds," returned, marked for return, subject to recall, sub-assembly categories, damage locations, not found, in production, or unmerchantable;

(d) it consists of supplies, packing materials, shipping materials, spare parts, samples, labels, bags, hangers, custom items, tooling, replacement parts, display items, trim labels, cuttings, bill and hold goods or work-in-process;

(e) it is located at any site if the aggregate book value of Inventory at such location is less than $100,000;

(f) it does not meet all standards imposed by any governmental agency or authority, including, without limitation, the Fair Labor Standards Act;

(g) it consists of Hazardous Materials or Inventory that can be transported or sold only with licenses that are not readily available;

(h) it does not conform in all respects to the representations and warranties set forth in the Loan Documents (including the representations and warranties with respect to insurance contained in Section 5.11);

(i) it is not at all times subject to the Administrative Agent's duly perfected, first priority security interest and no other Lien (including, without limitation, (i) the rights of a purchaser that has made progress payments, (ii) the rights of a surety that has issued a bond to assure a Borrower's performance with respect to that Inventory and (iii) Liens arising by operation of law under Article 2 of the UCC in favor of a reclaiming seller of goods or buyer of goods);

(j) it is not located in the United States of America;

(k) it is held on consignment, subject to a bailment or lease, or not otherwise owned by a Borrower;

(l) it has been shipped to a customer, regardless of whether such shipment is on a consignment basis;

(m) it is to be returned to the vendor or marked for return to the vendor;

(n) it is located on (x) an owned premises subject to a mortgage or deed of trust in favor of a Person other than the Administrative Agent, (y) a leased premises or (z) in the possession or control of a warehouseman, processor third party, repairman, mechanic, shipper, freight forwarder, customs broker, or other third-party, unless the mortgagee, trustee or beneficiary, lessor or such Person has delivered a Lien Waiver, or an appropriate Rent and Charges Reserve has been established;

(o) it is subject to any licensing, trademark, trade name or copyright agreements with any third parties which would require any consent of any third party for any sale or disposition (which consent has not been obtained) or the payment of any monies to any third party upon such sale or other disposition (to the extent of such monies), unless the inclusion of such Inventory is consented to in writing by the Administrative Agent and subject to any Reserves as the Administrative Agent may establish in its Permitted Discretion;

(p) it is expiring or has an expiry date within the next six months;

(q) the salability of such Inventory is subject to a license agreement that has expired, terminated or otherwise ceased to be in full force and effect; or

(r) it is otherwise determined to be unacceptable by the Administrative Agent in its Permitted Discretion.

"Eligible In-Transit Finished Goods Inventory" means Eligible Inventory (but, for the purposes of this definition, without giving effect to clauses (e) and (n) of the definition thereof) constituting finished goods to be sold by a Borrower in the ordinary course of business but at the time of determination is in transit (i) between a domestic distribution center, warehouse, shipping center, plant, factory, or other similar location of the Borrowers and another such domestic location of the Borrowers or (ii) from a veterinary facility to a domestic distribution center, warehouse, shipping center, plant, factory, or other similar location of the Borrowers and, for the avoidance of doubt, in all cases shall exclude all Eligible On-Hand Finished Goods Inventory and any Eligible Inventory not located in the continental United States, provided, that no Eligible Inventory shall be Eligible In-Transit Finished Goods Inventory unless it (i) has been in-transit for less than 30 days and (ii) has been fully paid for at the time of shipment to or by any Borrower.

"Eligible On-Hand Finished Goods Inventory" means Eligible Inventory constituting of finished goods to be sold by a Borrower in the ordinary course of business, which at the time of determination is located at a warehouse, distribution center, factory or plant, and which, for the voidance of doubt, shall exclude all Eligible In-Transit Finished Goods Inventory.

"Eligible Raw Materials Inventory" means raw materials used or consumed by a Borrower in the ordinary course of business in the manufacture or production of other Inventory that (a) do not meet any of the exclusionary criteria set forth in clauses (a) through (o) of the definition of "Eligible Inventory," as the same may be applicable to raw materials and excluding all Eligible On-Hand Finished Goods Inventory and Eligible In-Transit Finished Goods Inventory and (b) the Administrative Agent has deemed acceptable in its Permitted Discretion.

"Eligible Receivables" means the aggregate of the unpaid portions of Receivables of the Borrowers arising in the ordinary course of business from the sale of the Borrowers' Inventory which are reflected in the most recent Borrowing Base Certificate delivered by the Borrower Representative to the Administrative Agent, subject to adjustment from time to time as set forth in Section 2.20. Without limiting the generality of the foregoing but subject to adjustment from time to time as set forth in Section 2.20, no Receivable shall be an Eligible Receivable if:

(a) it arises out of a sale made by any Borrower to any Affiliate of any Borrower or to a Person Controlled by an Affiliate of any Borrower;

(b) it is unpaid for more than sixty (60) days after the original due date or ninety (90) days past the original invoice date;

(c) to the extent any such Receivables, together with all other Receivables owing by an account debtor and its Affiliates as of any date of determination, exceeds the following percentage of all Eligible Receivables:

(i) 70% measured on a combined basis for Wal-Mart and Sam's Club, notwithstanding their Affiliate relationship, provided, that in the event of new product introductions, if approved by the Administrative Agent in writing in its sole discretion and in any event for a period of not more than 60 days, such allowable combined percentage shall be 80%; and

(ii) 20% for all other account debtors;

(d) 25% or more of all Receivables owing by the account debtor therefor are not Eligible Receivables;

(e) to the extent any Borrower thereof is liable for goods sold or services rendered by the applicable account debtor to such Borrower thereof but only to the extent of the potential offset;

(f) any Borrower has made any agreement with the account debtor for any deduction therefrom (but ineligibility shall be limited to the amount of such deduction), except for discounts or allowances which are made in the ordinary course of business for prompt payment and which discounts or allowances are reflected in the calculation of the face value of each invoice related to such Receivable;

(g) the account debtor is also the applicable Borrower's creditor or supplier, or the account debtor has disputed liability with respect to such Receivable, or the account debtor has made any claim or defense with respect to any other Receivable due from such account debtor to such Borrower or such Subsidiary, or the Receivable otherwise is or may become subject to any credit, contra, reversal, return or setoff by the account debtor; in each case, the Receivable to be ineligible to the extent of such credit, contra, reversal, return, dispute, claim, defense or setoff;

(h) there is any adjustment or commissions payable to third parties that are adjustments to such Receivable but only to the extent of such amount;

(i) any material covenant, representation or warranty contained in any Customer Agreement with respect to such Receivable has been breached by the applicable Borrower;

(j) the account debtor has commenced a voluntary case under any Debtor Relief Law, or a decree or order for relief has been entered by a court having jurisdiction in the premises in respect of the account debtor in an involuntary case under any Debtor Relief Law, or any other petition or other application for relief under any Debtor Relief Law has been filed against the account debtor, or if the account debtor has failed, suspended business, ceased to be solvent, or consented to or suffered a receiver, trustee, liquidator or custodian to be appointed for it or for all or a significant portion of its assets or affairs;

(k) it arises from a sale to an account debtor outside the United States or Canada or is payable in any currency other than Dollars;

(l) with respect to which an invoice in the form used by a Borrower in the ordinary course of business or such other form reasonably acceptable to the Administrative Agent has not been sent to the applicable account debtor;

(m) it arises from a sale to the account debtor on a bill and hold, guaranteed sale, sale or return, sale on approval, consignment or any other repurchase or return basis;

(n) (i) as to which a Borrower is not able to bring suit or otherwise enforce its remedies against the account debtor through judicial process, or (ii) if the Receivable represents a progress billing consisting of an invoice for goods sold or used or services rendered pursuant to a contract under which the account debtor's obligation to pay that invoice is subject to a Borrower's completion of further performance under such contract or is subject to the equitable lien of a surety bond issuer;

(o) it arises with respect to goods that are delivered on a cash-on-delivery basis, cash-in-advance basis or prepaid basis;

(p) the account debtor is the United States of America, any state, county or municipality located therein, or, in each case, any department, agency or instrumentality thereof, unless the applicable Borrower assigns its right to payment of such Receivable to the Administrative Agent, in a manner satisfactory to the Administrative Agent, so as to comply with the Assignment of Claims Act of 1940 (31 U.S.C. §203 et seq., as amended);

(q) it is not at all times subject to the Administrative Agent's duly perfected, first priority security interest and no other Lien;

(r) the goods giving rise to such Receivable have not been delivered to and accepted by the account debtor or the services giving rise to such Receivable have not been performed by the applicable Borrower and accepted by the account debtor or the Receivable otherwise does not represent a final sale;

(s) the Receivable is evidenced by chattel paper or an instrument of any kind, or has been reduced to judgment; or

(t) it is otherwise determined to be unacceptable by the Administrative Agent in its Permitted Discretion.

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems and including without limitation, those arising under the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA") and the Superfund Amendments and Reauthorization Act of 1986 ("SARA").

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of any Borrower, any other Credit Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Environmental Permits" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Equipment" has the meaning as defined in the UCC.

"Equipment Reserve" means reserves established from time to time by the Administrative Agent in its Permitted Discretion against Eligible Equipment, including, without limitation, on account of (a) the salability of such Eligible Equipment, (b) factors that negatively affect the market value or Net Orderly Liquidation Value of such Eligible Equipment, (c) damage, (d) taxes and other liabilities secured by Liens upon Eligible Equipment that are or may become senior to the Administrative Agent's Lien and (e) other reasonable costs, expenses and amounts that the Administrative Agent and the Secured Parties may incur or be required to pay to realize upon Eligible Equipment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with any Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) the withdrawal of any Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which such entity was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by any Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA; (e) the institution by the PBGC of proceedings to terminate a Pension Plan; (f) any event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (g) the determination that any Pension Plan is considered an at-risk plan or a plan in endangered or critical status within the meaning of Sections 430, 431 and 432 of the Code or Sections 303, 304 and 305 of ERISA; or (h) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Borrower or any ERISA Affiliate.

"Eurodollar Rate" means, for any Interest Period with respect to any Eurodollar Rate Loan, the rate per annum determined by the Administrative Agent to be the rate for deposits in Dollars for a period approximately equal to such Interest Period and in an amount approximately equal to the principal amount of such Eurodollar Rate Loan which appears on the Bloomberg Screen TMM Page under the heading "LIBOR Fix" as of 11:00 a.m. (London time) on the second Business Day prior to the first day of such Interest Period (adjusted for any and all

assessments, surcharges and reserve requirements). If such interest rate shall cease to be available from the above-described Bloomberg report, the Eurodollar Rate shall be determined from such financial reporting service as the Administrative Agent shall reasonably determine and use with respect to its other loan facilities for which interest is determined based on the London interbank offered rate.

"Eurodollar Rate Loan" means a Revolving Credit Loan or a Term Loan that bears interest based upon the Eurodollar Rate.

"Eurodollar Rate Loan Continuation Certificate" means a certificate substantially in the form of Exhibit B.

"Event of Default" has the meaning specified in Section 8.01.

"Excess Cash Flow" means, in respect of the Parent and its Subsidiaries' Fiscal Year 2017, and for the purpose of determining the amount of any required prepayment of the Term Loans pursuant to Section 2.05(g), the excess, if any, of (a) the sum, without duplication, of (i) Consolidated Net Income for such Fiscal Year, (ii) the amount of all non-cash charges (including depreciation and amortization) deducted in determining such Consolidated Net Income, (iii) decreases in Consolidated Working Capital for such Fiscal Year, and (iv) the aggregate net amount of non-cash losses on all asset dispositions during such Fiscal Year, to the extent deducted in the determination of such Consolidated Net Income over (b) the sum, without duplication, of (i) the amount of all non-cash gains or credits included in determining such Consolidated Net Income, (ii) the aggregate amount of Unfinanced Capital Expenditures made during such Fiscal Year, (iii) the sum of (A) the aggregate amount of Consolidated Interest Expense paid or payable in cash for such Fiscal Year and (B) the aggregate amount of all regularly scheduled payments of principal of Indebtedness for borrowed money during such Fiscal Year paid or required to be paid by the Credit Parties, but not including any principal payments in respect of the Revolving Credit Loans hereunder or any other revolving credit facility unless such payment of the Revolving Credit Loans or under such revolving credit facility, as applicable, results in a permanent reduction thereunder, (iv) increases in Consolidated Working Capital for such Fiscal Year, (v) the aggregate net amount of non-cash gains on all asset dispositions by the Credit Parties during such Fiscal Year, to the extent deducted in the determination of such Consolidated Net Income, and (vi) the aggregate amount of Permitted Tax Distributions (excluding the principal amount of Indebtedness used to finance such Permitted Tax Distributions and any such Permitted Tax Distributions financed with the proceeds of an offering of Capital Stock).

"Excluded Accounts" means any (a) deposit account or securities account specially and exclusively used in the ordinary course of business for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of any Credit Party's salaried employees, which accounts are funded only in the ordinary course of business and not in excess of any amounts necessary to fulfill payroll obligations that are then currently owing or (b) pension fund accounts, 401(k) accounts and trust accounts.

"Excluded Cash Management Obligations" means Cash Management Obligations (a) in excess of $2,000,000 in the aggregate or (b) (i) in excess of any Reserve therefor under the Borrowing Base implemented and maintained by either Agent pursuant to clause (i) of the definition of "Borrowing Base" and (ii) which have not been deducted without causing an Overadvance in calculating Overall Excess Availability (or other availability computation).

"Excluded Subsidiary" means any Subsidiary (a) that is a CFC, (b) the Capital Stock of which is directly or indirectly owned by any CFC, or (c) that is a Foreign Subsidiary (including disregarded entities) that owns directly or indirectly the Capital Stock of any CFC.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to any Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, excise Taxes or similar Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its Lending Office located in, the jurisdiction imposing such Taxes (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender or any other Recipient of a payment hereunder, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Recipient on the date such Recipient becomes a party to this Agreement or of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by any Borrower under Section 10.13) or (ii) such Lender changes its Lending Office, except in each case to the extent that, pursuant to Section 3.01(a)(ii) or (c), amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its Lending Office, (c) Taxes attributable to such Recipient's failure to comply with Section 3.01(e) and (d) any U.S. federal withholding Taxes imposed pursuant to FATCA.

"Existing Affiliate Transactions" has the meaning assigned in Section 7.08.

"Existing Credit Agreement" has the meaning assigned in the Recitals to this Agreement.

"Existing Lenders" has the meaning assigned in the Recitals to this Agreement.

"Extraordinary Receipt" means any cash received by or paid to or for the account of any Credit Party not in the ordinary course of business, including, tax refunds, pension plan reversions, proceeds of insurance, condemnation awards (and payments in lieu thereof), indemnity payments (including, without limitation, in connection with any acquisition) and any purchase price adjustments (including, without limitation, in connection with any acquisition); provided, however, that an Extraordinary Receipt shall not include cash receipts from proceeds of insurance, or condemnation awards (or payments in lieu thereof) to the extent that such proceeds or awards or payments arose as a result of a Casualty Event and are applied to prepay the Obligations in accordance with of Section 2.07(c).

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to major financial institutions reasonably acceptable to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"Fee Letter" means the letter agreement dated as of the Closing Date by and between the Borrowers and the Administrative Agent.

"Financial Officer" means, with respect to any Person, its chief financial officer, treasurer or controller or other officer acceptable to the Administrative Agent, provided, that with respect to the Borrowers this shall mean John Newland, Jeff Caywood or April McAvoy in their respective capacities as chief financial officer, treasurer and controller, respectively, or, in the event they shall no longer serve in such capacities at any time, such replacement therefor that is acceptable to the Administrative Agent.

"Financial Test Date" means, (a) prior to the occurrence of a Financial Test Trigger Event, each Fiscal Quarter and (b) following the occurrence of a Financial Test Trigger Event, each Fiscal Month.

"Financial Test Trigger Event" shall mean the occurrence of one of the following events at any time: (a) the average daily Overall Excess Availability for any consecutive 30-day period shall be less than $3,000,000 or (b) the Overall Excess Availability shall be less than $3,000,000 for any three consecutive Business Days.

"Fiscal Month" means any fiscal month of any Fiscal Year.

"Fiscal Quarter" means each period of three months commencing on the first day of each of January, April, July and October.

"Fiscal Year" means the respective fiscal years of the Borrowers and their Subsidiaries for accounting and tax purposes, ending on December 31 of each year.

"Foreign Lender" means any Lender that is organized under the Laws of a jurisdiction other than that in which any Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Subsidiary" means any Subsidiary that is not a Domestic Subsidiary.

"FRB" means the Board of Governors of the Federal Reserve System of the United States.

"Fronting Exposure" means, at any time there is a Defaulting Lender that is a Revolving Credit Lender, with respect to the L/C Issuer, such Defaulting Lender's Applicable Percentage of the outstanding L/C Obligations other than L/C Obligations as to which such Defaulting Lender's participation obligation has been reallocated to other Revolving Credit Lenders or Cash Collateralized in accordance with the terms hereof.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

"Governing Documents" means, with respect to any Person, its certificate or articles of incorporation, certificate of change of name (if any), certificate of formation, or, as the case may be, certificate of limited partnership, its by-laws, memorandum and articles of association, operating agreement or, as the case may be, partnership agreement or other constitutive documents and all shareholder agreements, voting trusts and similar arrangements applicable to any of its Capital Stock.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state, local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Granting Lender" has the meaning specified in Section 10.06(g).

"Guarantee" means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, or (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (iv) entered into for the purpose of assuring in any other manner the obligee

in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part) or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Guarantees" means, collectively, (a) the Guaranty dated as of the Closing Date among the Guarantors in favor of the Administrative Agent and (b) any other guaranty in form and substance reasonably satisfactory to the Administrative Agent and executed by any Guarantor in favor of the Administrative Agent and the other Secured Parties in respect of the Obligations.

"Guarantors" means the Borrowers, each Subsidiary of the Borrowers, Parent and each other Person party to any of the Guarantees as a guarantor thereunder and each other Person, if any, that executes a guaranty or other similar agreement in favor of the Administrative Agent in connection with the transactions contemplated by this Agreement and the other Loan Documents.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Honor Date" has the meaning set forth in Section 2.03(c).

"Indebtedness" means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments;

(c) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business and, in each case, not past due for more than 60 days after the original date on which such trade account payable was due);

(d) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(e) Capitalized Leases and Synthetic Lease Obligations;

(f) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Capital Stock in such Person or any other Person, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and

(g) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any Capitalized Lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payments hereunder or any other Loan Documents and (b) to the extent not otherwise described in clause (a) herein, Other Taxes.

"Indemnitees" has the meaning specified in Section 10.04(b).

"Information" has the meaning specified in Section 10.07.

"Intercompany Note" means a promissory note in form and substance satisfactory to the Administrative Agent dated March 16, 2015 evidencing intercompany Indebtedness between and among the Credit Parties, subject to the terms of a Subordination Agreement.

"Interest Payment Date" means, as applicable, (a) as to any Revolving Credit Loan that is a Base Rate Loan, any Term Loan that is a Base Rate Loan, or any Swingline Loan, the first Business Day of each calendar month and the Maturity Date and (b) as to any Revolving Credit Loan that is a Eurodollar Rate Loan or any Term Loan that is a Eurodollar Rate Loan, the last day of the Interest Period applicable to such Eurodollar Rate Loan, unless such Interest Period exceeds three months, in which case the Interest Payment Date shall mean the three month anniversary of such Eurodollar Rate Loan and each three month anniversary thereafter.

"Interest Period" means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one (1), three (3) or six (6) months thereafter (in each case, subject to availability), as selected by the Borrowers in their Loan Notice; provided that:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the applicable Maturity Date of the facility under which such Eurodollar Rate Loan was made.

"Inventory" means all goods held for sale in which any Credit Party now has or hereafter acquires title to.

"Inventory Reserve" means the Rent and Charges Reserve and such other reserves as may be established from time to time by the Administrative Agent in its Permitted Discretion against Eligible Inventory, including without limitation, on account of (a) the salability of such Eligible Inventory, (b) factors that negatively affect the market value or Net Orderly Liquidation Value of such Eligible Inventory, (c) shrinkage, (d) obsolete and/or excess Inventory, (e) taxes and other liabilities secured by Liens upon Eligible Inventory that are or may become senior to the Administrative Agent's Lien and (f) other costs, expenses and amounts that the Administrative Agent or any other Secured Party may incur or be required to pay to realize upon Eligible Inventory.

"Investment" means, all expenditures made and all liabilities incurred (contingently or otherwise) for the acquisition of Capital Stock, assets that constitute a business unit or Indebtedness of, or for loans, advances or capital contributions to, or in respect of any Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or interest in, another Person. In determining the aggregate amount of Investments outstanding at any particular time: (a) the amount of any Investment represented by a guaranty shall be the principal amount of the obligations guaranteed and still outstanding; (b) there shall be included as an Investment all interest accrued with respect to Indebtedness constituting an Investment unless and until such interest is paid; (c) there shall be deducted in respect of each such Investment any amount received as a return of capital (but only by repurchase, redemption, retirement, repayment, liquidating dividend or liquidating distribution); (d) there shall not be deducted in respect of any Investment any amounts received as earnings on such Investment, whether as dividends, interest or otherwise, except that accrued interest included as provided in the foregoing clause (b) may be deducted when paid; and (e) there shall not be deducted from the aggregate amount of Investments any decrease in the value, write-downs or write-offs with respect thereof.

"IP Security Agreement" means collectively, (i) the Intellectual Property Security Agreement dated as of the Closing Date, made by each Credit Party party thereto in favor of the Administrative Agent, on behalf of itself and the other Secured Parties and (ii) each other intellectual property security agreement, patent security agreement, trademark security agreement and copyright security agreement required to be delivered pursuant to Section 6.12 in form and substance reasonably satisfactory to the Administrative Agent.

"IRS" means the United States Internal Revenue Service.

"ISP" means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance).

"Issuer Documents" means with respect to any Letter of Credit, the Letter of Credit Application and any other document, agreement or instrument entered into by the L/C Issuer and any Borrower (or any Subsidiary) or in favor of the L/C Issuer and relating to such Letter of Credit.

"Laws" means, collectively, all international, foreign, Federal, state, provincial and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"L/C Advance" means, with respect to each Revolving Credit Lender, such Lender's funding of its participation in any L/C Borrowing in accordance with its Applicable Percentage.

"L/C Borrowing" means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Revolving Credit Borrowing.

"L/C Credit Extension" means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the increase of the amount thereof.

"L/C Issuer" means East West Bank in its capacity as issuer of Letters of Credit hereunder, or any successor issuer of Letters of Credit hereunder.

"L/C Obligations" means, as at any date of determination, the aggregate amount available to be drawn under all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts (including all L/C Borrowings). For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

"Lenders" means, collectively, the Revolving Credit Lenders and the Term Loan Lenders; provided that unless the context otherwise requires, each reference herein to the Lenders shall be deemed to include the L/C Issuer and the Swingline Lender.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrowers and the Administrative Agent.

"Letter of Credit" means any standby letter of credit issued hereunder.

"Letter of Credit Application" means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the L/C Issuer.

"Letter of Credit Expiration Date" means the day that is seven (7) days prior to the Maturity Date (or, if such day is not a Business Day, the next preceding Business Day).

"Letter of Credit Fee" has the meaning specified in Section 2.03(h).

"Letter of Credit Sublimit" means an amount equal to $2,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Revolving Credit Facility.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing) and the filing of, or agreement to authorize, any financing statement under the UCC or comparable law of any jurisdiction.

"Lien Waiver" means an agreement, in form and substance reasonably satisfactory to the Administrative Agent by which (a) for any Collateral located on an owned premises subject to a mortgage or deed of trust in favor of a Person other than the Administrative Agent, the mortgagee or beneficiary, as applicable, waives or subordinates any Lien it may have on the Collateral, and agrees to permit the Administrative Agent to enter upon the premises and remove the Collateral as permitted hereunder or to use the premises to store or dispose of the Collateral, (b) for any Collateral located on leased premises, the lessor waives or subordinates any Lien it may have on the Collateral, and agrees to permit the Administrative Agent to enter upon the premises and remove the Collateral as permitted hereunder or to use the premises to store or dispose of the Collateral; (c) for any Collateral held by a warehouseman, processor, shipper or similar Person, such Person waives or subordinates any Lien it may have on the Collateral, agrees to hold any documents in its possession relating to the Collateral as agent for the Administrative Agent, and agrees to deliver the Collateral to Administrative Agent upon request; (d) for any Collateral held by a repairman, mechanic or bailee, such Person acknowledges the Administrative Agent's Lien, waives or subordinates any Lien it may have on the Collateral, and agrees to deliver the Collateral to the Administrative Agent upon request; and (e) for any Collateral subject to a licensor's intellectual property rights, the licensor grants to the Administrative Agent the right, vis-à-vis such licensor, to enforce the Administrative Agent's Liens with respect to the Collateral, including the right to dispose of it with the benefit of the intellectual property, whether or not a default exists under any applicable license.

"Loan" means an extension of credit by a Lender to any Borrower under Article II in the form of a Revolving Credit Loan, a Swingline Loan, or a Term Loan.

"Loan Account" means, as applicable, the Revolving Credit Loan Account, the Swingline Loan Account, or the Term Loan Account.

"Loan Advance Request" means a notice of a Borrowing which, if in writing, shall be substantially in the form of Exhibit A.

"Loan Documents" means this Agreement, each Note, each Security Document, the Fee Letter, each Subordination Agreement, each Borrowing Base Certificate, each Compliance Certificate, each Issuer Document, any agreement creating or perfecting rights in Cash Collateral pursuant to the provisions of Section 2.14 (but specifically excluding any Secured Cash Management Agreement), and each other agreement, document or instrument delivered by any Credit Party in connection with any Loan Document, whether or not specifically mentioned herein or therein; provided, that "Loan Documents" shall not include agreements for transactions of the type prohibited by Section 7.09.

"Loan Notice" means, as applicable, (a) a notice of a Borrowing or a notice of a conversion of Loans from one Type to the other, which in either case of this clause (a) shall be substantially in the form of a Loan Advance Request, or (b) a notice of a continuation of a Eurodollar Rate Loan, which shall be substantially in the form of a Eurodollar Rate Loan Continuation Certificate.

"Management Agreements" means each of the Management Consulting Agreements dated as of May 31, 2012, between PETIQ and (i) HCF-TS Blocker Corp., Highland Consumer Entrepreneurs Fund I Limited Partnership and Highland Consumer Fund I Limited Partnership, (ii) EOS Management, L.P., and (iii) Labore et Honore LLC.

"Management Subordination Agreement" that certain Management Fee Subordination Agreement, dated as of the date hereof, among PETIQ and the Sponsor Managers pursuant to which the management fees under the Management Agreements are expressly subordinated and made junior to the payment and performance in full of the Obligations.

"Mark and Chappell Entities" means collectively, M&C USA, LLC, a Delaware limited liability company, Mark and Chappell Limited, a private company limited by shares organized under the laws of the United Kingdom, and Mark and Chappell (U.S.A.), Inc., an Illinois corporation.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect on, the operations, business, assets, properties, liabilities (actual or contingent) or financial condition of the Credit Parties and their Subsidiaries, taken as a whole; (b) a material impairment of the rights and remedies of the Administrative Agent or any Lender under any Loan Document, or of the ability of the Credit Parties, taken as a whole, to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Credit Party of any Loan Documents to which it is a party.

"Material Agreements" means (a) each Customer Agreement, (b) the NPIC Supply Agreement and CAP Supply Agreement and (c) any other contract or agreement the loss, invalidity, termination, expiration or other failure of such contract or agreement to be in full force and effect of which would constitute a Material Adverse Effect.

"Maturity Date" means, as applicable, (a) in the case of the Revolving Credit Facility, December 21, 2019 or (b) in the case of the Term Loan Facility, December 21, 2018.

"Maximum Rate" has the meaning as assigned in Section 10.09.

"Minimum Collateral Amount" means, at any time, (a) with respect to Cash Collateral consisting of cash or deposit account balances provided to reduce or eliminate Fronting Exposure during any period when a Lender constitutes a Defaulting Lender, an amount equal to 103% of the Fronting Exposure of the L/C Issuer with respect to Letters of Credit issued and outstanding at such time, (b) with respect to Cash Collateral consisting of cash or deposit account balances provided in accordance with the provisions of Section 2.21(a)(i), (a)(ii) or (a)(iii), an amount equal to 103% of the Outstanding Amount of all L/C Obligations, and (c) otherwise, an amount determined by the Administrative Agent and the L/C Issuer in their reasonable discretion.

"Minimum Required EBITDA" shall mean, for any Reference Period ending (i) from January 1, 2016 to and including December 31, 2016, $5,000,000, (ii) from January 1, 2017 to and including December 31, 2017, $6,000,000, (iii) from January 1, 2018 to and including December 31, 2018, $7,000,000, and (iv) from January 1, 2019 until the Maturity Date for the Revolving Credit Facility, $8,000,000.

"Mortgages" means each mortgage or deed of trust with respect to each fee interest of each Credit Party in Real Estate executed and delivered to the Administrative Agent after the Closing Date pursuant to Section 6.12 hereof, in each case, in form and substance reasonably satisfactory to the Administrative Agent.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Multiple Employer Plan" means a Plan which has two or more contributing sponsors (including the Borrower or any ERISA Affiliate) at least two of whom are not under common control, as such a plan is described in Section 4064 of ERISA.

"Net Cash Proceeds" means, with respect to any event or transaction described in Sections 2.05(c) through (f), the cash proceeds received in respect of such event or transaction, including (a) any cash received in respect of any non-cash proceeds (including, without limitation, the monetization of notes receivables), but only as and when received or (b) in the case of a Casualty Event, insurance proceeds, proceeds of a condemnation award or other compensation payments, in each case net of the sum of (w) all reasonable fees and out-of-pocket expenses (including appraisals, and brokerage, legal, title and recording tax expenses and commissions) paid by any Credit Party or a Subsidiary to third parties (other than Affiliates) in connection with such event, (x) transfer or similar taxes, (y) reserves for indemnities, until such reserves are no longer needed, and (z) in the case of a sale or other disposition of an asset described Sections 2.05(c) and (d), the amount of all payments required to be made by any Credit Party (or to establish an escrow for the repayment of) on any Indebtedness by the terms thereof (other than the Obligations) secured by such asset to the extent the lien in favor of the holder of such Indebtedness is permitted by Section 7.03(a)(vi); provided that such payments made shall not exceed the amount of cash proceed received by such Credit Party or the aggregate amount of such Indebtedness.

"Net Orderly Liquidation Value" means, with respect to any Inventory or Equipment, the net appraised orderly liquidation value (expressed as a percentage) of such Inventory or Equipment (net of liquidation expenses, costs of sale, operating expenses and retrieval and related costs), as determined from time to time by the Administrative Agent by reference to the most recent appraisal of the Inventory or Equipment, as applicable, performed by an Appraiser.

"Non-Consenting Lender" means any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of all Lenders or all affected Lenders in accordance with the terms of Section 10.01 and (ii) has been approved by the Required Lenders.

"Non-Defaulting Lender" means, at any time, each Lender that is not a Defaulting Lender at such time.

"Note" means, collectively, the Revolving Credit Notes and Term Loan Notes.

"NPIC Supply Agreement" means that certain Manufacturing and Supply Agreement, dated as of November, 2012 by and between TRU RX LLC, an Idaho limited liability company, and Natural Polymer International Corporation, a Delaware Corporation.

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, any Credit Party arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit (including any Early Termination Fee or any Letter of Credit Fee whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees (including, without limitation, any Early Termination Fee) that accrue after the commencement by or against any Credit Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"OFAC" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Taxes (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar taxes, charges or similar levies that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document except any such Taxes that are Other Connection Taxes impose with respect to an assignment (other than an assignment made pursuant to Section 10.13).

"Out of Formula Advances" has the meaning specified in Section 2.17(b).

"Outstanding Amount" means (i) with respect to Revolving Credit Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Revolving Credit Loans occurring on such date, (ii) with respect to the Term Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any prepayments or repayments of the Term Loans on such date, (iii) with respect to any L/C Obligations on any date, the aggregate outstanding amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements by the Borrower of Unreimbursed Amounts, (iv) with respect to any Swingline Loans on any date, the aggregate outstanding amount thereof after giving effect to any prepayments or repayments of the Swingline Loans on such date , and (v) with respect to any Cash Management Obligations on any date, the aggregate outstanding amount of Cash Management Obligations on such date.

"Overall Excess Availability" means, as of any date of determination, an amount equal to the result of (a) the lesser of (i) the amount of the Aggregate Commitments and (ii) the Borrowing Base, less (b) Total Outstandings.

"Overall Unused Amount" means, as of any time of determination, an amount equal to the result of (a) the Revolving Credit Facility at such time less (b) Total Revolving Credit Outstandings at such time.

"Parent" means PETIQ Holdings, LLC (f/k/a True Science Delaware Holdings, LLC), a Delaware limited liability company.

"Participant" has the meaning specified in Section 10.06(d).

"Participant Register" has the meaning specified in Section 10.06(d).

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Act" means the Pension Protection Act of 2006.

"Pension Funding Rules" means the rules of the Code and ERISA regarding minimum required contributions (including any installment payment thereof) to Pension Plans and set forth in, with respect to plan years ending prior to the effective date of the Pension Act, Section 412 of the Code and Section 302 of ERISA, each as in effect prior to the Pension Act and, thereafter, Section 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

"Pension Plan" means any employee pension benefit plan (including a Multiple Employer Plan or a Multiemployer Plan) that is maintained or is contributed to by any Borrower and any ERISA Affiliate and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

"Perfection Certificates" means, collectively, (i) each Perfection Certificates delivered by the Credit Parties to the Administrative Agent on the Closing Date and (ii) each other Perfection Certificate from time to time delivered by the Credit Parties following the Closing Date to the Administrative Agent and reasonably acceptable to the Administrative Agent in accordance with this Agreement.

"Permitted Acquisition" means any Acquisition by a Credit Party that satisfies each of the following conditions:

(a) no Default or Event of Default exists or would arise as a result thereof;

(b) the Acquisition is consensual;

(c) the assets, business or Person being acquired (i) is useful to any Credit Party and (ii) is engaged in the same or substantially similar lines of business of the Credit Parties, taken as a whole, (iii) is located and organized within the United States, and (iv) had positive EBITDA for the 12 month period most recently ended;

(d) no Indebtedness (other than Permitted Indebtedness) or Liens (other than Permitted Liens) are assumed or incurred;

(e) the total consideration (including deferred payment obligations, Indebtedness assumed or incurred and assumed liabilities) is less than $500,000 and, when aggregated with the total consideration (including deferred payment obligations, Indebtedness assumed or incurred and assumed liabilities) for all other Acquisitions made during the preceding 12 months, is less than $1,000,000;

(f) Administrative Agent shall have received Lien searches reasonably satisfactory to Administrative Agent with respect to any property that is being acquired;

(g) Borrower shall have delivered to Administrative Agent, at least 10 Business Days prior to the Acquisition, (1) copies of all material agreements relating to such Acquisition, (2) a certificate, in form and substance satisfactory to Administrative Agent, stating that the Acquisition is a "Permitted Acquisition" and demonstrating compliance with the requirements set forth in clauses (a) through (f) and (i) of this definition, and (3) such other information or reports (including financial statements) as the Administrative Agent may request with respect to such Acquisition and which are available to the Borrowers;

(h) any entity that is acquired or formed in connection with such Acquisition shall become a "Credit Party" to the extent required by, and shall comply with all of the requirements of Section 6.12; and

(i) (A) the average daily Overall Excess Availability for the period of thirty consecutive days prior to such proposed Acquisition, determined on a pro forma basis as if such proposed Acquisition had occurred on the first day of such thirty day period, is not less than $3,000,000 and (B) the Overall Excess Availability as of such date, determined on a pro forma basis as if such proposed Acquisition had already occurred, is not less than $3,000,000;

Unless otherwise consented to in writing by the Administrative Agent, assets acquired pursuant to a Permitted Acquisition shall not constitute assets eligible for inclusion in the Borrowing Base prior to completion of a physical inventory and Inventory appraisal (which such physical inventory and Inventory appraisal shall not be included in calculating the limitations thereupon set forth in Sections 6.10 and 6.16) with respect to such assets, and other due diligence acceptable to the Administrative Agent.

"Permitted Asset Disposition" means a liquidation, sale, transfer, conveyance, assignment or other disposition permitted by Section 7.05(b).

"Permitted Discretion" means a determination made in good faith and in the exercise of reasonable (from the perspective of a secured asset-based lender) judgment.

"Permitted Indebtedness" means the Indebtedness permitted by Section 7.02.

"Permitted Liens" means those Liens permitted by Section 7.03.

"Permitted Management Fees" means payments to the Sponsor Managers for (a) (i) reasonable documented out-of-pocket costs and expenses incurred by Sponsor Managers, (ii) any documented indemnification obligations payable by any Credit Party to a Sponsor Manager, in each case, in connection with the Sponsor Managers' management and advisory relationship with the Credit Parties and their Subsidiaries and (b) so long as no Default or Event of Default shall have occurred and be continuing, fees payable pursuant to the Management Agreements in an amount not to exceed $500,000 per Fiscal Year, provided, that with respect to each of clauses (a) and (b) above, the foregoing shall be subordinated to the satisfaction of the Administrative Agent.

"Permitted Tax Distributions" means (a) prior to the consummation of a Qualifying IPO, any distribution in cash pursuant to Section 4.1(b) of that certain Fifth Amended and Restated Limited Liability Company Agreement of True Science Delaware Holdings, LLC in effect as of the date hereof and (b) following the consummation of a Qualifying IPO, dividends or distributions by any Credit Party and their Subsidiaries in order for any of their owners (direct or indirect) or any Credit Party to pay federal, state or local income and franchise taxes attributable to the income of any Credit Party and their Subsidiaries.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Pharmaceutical License" shall mean any state pharmacy board license or other similar license required to be maintained by the Credit Parties to enable the sale, transfer or other distribution of pharmaceutical products of the Credit Parties.

"Plan" means any employee benefit plan within the meaning of Section 3(3) of ERISA (including a Pension Plan), maintained for employees of any Borrower or any ERISA Affiliate or any such Plan to which any Borrower or any ERISA Affiliate is required to contribute on behalf of any of its employees.

"Prepayment Notice" means the certificate in substantially the form of Exhibit G hereto, or in such other form reasonably acceptable to the Administrative Agent, to be signed by a Financial Officer of the Borrower Representative and delivered to the Administrative Agent and the Lenders pursuant to Section 2.05 hereof.

"Prohibited Assignee" means (i) any Competitor and (ii) any Affiliate of a Competitor, as determined by the Borrowers and identified in a written notice by the Borrower Representative to the Administrative Agent with the Administrative Agent's written consent (not to be unreasonably withheld); provided as to clause (i) and (ii) above, that "Prohibited Assignee" shall not include commercial or corporate banks or bona fide debt funds, and any funds that are managed or controlled by such commercial or corporate banks or bona fide debt funds which funds principally invest in commercial loans or debt securities.

"Pro Rata Protective Advances" has the meaning specified in Section 2.17.

"Protective Advances" has the meaning specified in Section 2.17(a).

"Public Lender" has the meaning specified in Section 6.04.

"Qualifying IPO" means the issuance by Parent or any direct or indirect parent entity of Parent, of its Capital Stock in an underwritten primary public offering (other than a public offering pursuant to a registration statement on Form S-8) pursuant to an effective registration statement filed with the SEC in accordance with the Securities Act.

"RCRA" has the meaning specified in the definition of "Environmental Laws."

"Real Estate" means all real property at any time owned or leased (as lessee or sublessee) by any Credit Party.

"Receivables" means all rights to the payment of money for goods sold or services rendered owing to any Credit Party, consisting of "accounts" (as such term is defined in the UCC) of the Credit Parties, including, without limitation, the unpaid portion of the obligation of a customer of a Credit Party in respect of Inventory purchased by and shipped to such customer and/or the rendition of services by a Credit Party, as stated on the respective invoice of a Credit Party.

"Receivables Reserves" means such reserves as may be established from time to time by the Administrative Agent in its Permitted Discretion against Eligible Receivables, including without limitation, on account of (a) the collectability of such Eligible Receivables as a result of (i) dilution (in excess of 5%) thereof or (ii) claims, chargebacks, accrued liabilities, contra, write-offs, return of goods or similar matters, aged credits, credit lag, offsets, defense or counterclaims or other disputes with account debtors, (b) taxes and other liabilities secured by Liens upon Eligible Receivables that are or may become senior to the Administrative Agent's Lien and (c) other costs, expenses and amounts that the Administrative Agent and/or the Secured Parties may incur or be required to pay to realize upon Eligible Receivables.

"Recipient" means the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of any Credit Party hereunder

"Reference Period" means, as of any date of determination, the period of twelve consecutive Fiscal Months ending on such date.

"Refunded Swingline Loan" has the meaning specified in Section 2.01(c)(iii).

"Register" has the meaning specified in Section 10.06(c).

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers and advisors of such Person and of such Person's Affiliates.

"Rent and Charges Reserve" means the aggregate of (a) all past due rent and other amounts owing by a Credit Party to any landlord, mortgagee or beneficiary under a mortgage or deed of trust, warehouseman, processor, repairman, mechanic, shipper, broker or other similar Person who possess any Collateral or could assert a Lien on any Collateral; and (b) a reserve at least equal to (i) two (2) months' rent and other charges that could be payable to any such Person in the case of amounts owing to a lessor of any location leased by any Credit Party specified in clauses (i) and (ii) of Section 6.18 and (ii) other amounts reasonably determined by the Administrative Agent in the case of all such other Persons who possess any Collateral or could assert a Lien that is prior to or *pari passu* with the Lien in favor of the Administrative Agent on any Collateral, unless, in the case of clause (b) such Person has executed a Lien Waiver.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

"Reporting Monitoring Event" means any time at which either (a) an Event of Default has occurred and is continuing or (b) the average daily Overall Excess Availability is less than $10,000,000 during any period of 90 consecutive days during such calendar year of determination (as calculated at such time); provided that a Reporting Monitoring Event shall only deemed to have ceased if (i) no Event of Default has occurred and is then continuing and (ii) the average Overall Excess Availability is greater than or equal to $10,000,000 (as calculated at such time) for ninety (90) consecutive days. The cessation of any Reporting Monitoring Event shall not impair the commencement of any subsequent Reporting Monitoring Event.

"Request for Credit Extension" means a Loan Advance Request.

"Required Lenders" means, as of any date of determination, (i) Lenders holding more than 50% of the sum of the Total Term Loan Outstandings and (ii) Lenders holding more than 50% of the sum of the aggregate Revolving Credit Commitments, collectively; provided that: (a) if at any time there are only two (2) Lenders, Required Lenders shall mean both Lenders; and (b) the Revolving Credit Commitment of, and the portion of the Total Term Loan Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"Reserves" means, subject to adjustment from time to time as set forth in Section 2.20, the sum (without duplication) of (a) Receivables Reserves, (b) Inventory Reserves, (c) Equipment Reserves and (d) such additional reserves, in amounts and with respect to such matters (whether or not constituting a Default or Event of Default), as the Administrative Agent

in its Permitted Discretion may elect to impose from time to time, whether before or during the continuance of a Default or Event of Default, including, without limitation, reserves established to (i) ensure the payment of accrued interest expense, insurance claims, including self-funded insurance claims or outstanding Taxes and other charges imposed by any Governmental Authority (including, without limitation, ad valorem taxes, real estate, personal property, sales and other taxes) or (ii) protect against losses due to any loss, termination, invalidity, expiration or interruption of any Pharmaceutical License.

"Restricted Payment" means any (a) dividend or other distribution (whether in cash, securities or other property) with respect to any Capital Stock of any Credit Party or any Subsidiary, (b) any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Capital Stock, or on account of any return of capital to the stockholders, partners or members (or the equivalent Person thereof) of any Credit Party or any Subsidiary and (c) any payment (whether in cash, securities or other property) of management fees (or other fees of a similar nature), other than Permitted Management Fees, by such Credit Party or such Subsidiary to any equity holder or Affiliate of such Credit Party or such Subsidiary.

"Restricted Payment Conditions" means each of the following conditions:

(a) prior to and after giving effect to such proposed Restricted Payment, no Event of Default exists or would result therefrom;

(b) the average of Overall Excess Availability on each day for the period of thirty days prior to such proposed Restricted Payment, determined on a pro forma basis, as if such proposed Restricted Payment had occurred on the first day of such thirty day period, is not less than $15,000,000;

(c) Overall Excess Availability, both prior to and after giving effect to such proposed Restricted Payment, is not less than $15,000,000;

(d) the Credit Parties shall be in compliance with the covenant set forth in Section 7.13 for the 12-month period ending on the last day of the most recent month for which financial statements have been delivered hereunder to the Administrative Agent, determined on a pro forma basis, as if such proposed Restricted Payment had been made on the first day of such 12-month period;

(e) Consolidated EBITDA, both prior to and after giving effect to such proposed Restricted Payment determined on a pro forma basis as if such proposed Restricted Payment on the first day of such period is not less than, for the 12-month period ending on the last day of the most recent month for which financial statements have been delivered hereunder to the Administrative Agent, $12,000,000;

(f) after giving effect to such Restricted Payment the aggregate amount of Restricted Payments for such Fiscal Year does not exceed (i) prior to the consummation of a Qualifying IPO, $1,000,000 per Fiscal Year and (ii) after the consummation of a Qualifying IPO, an amount per annum not to exceed five percent (5%) of market capitalization; and

(g) the Administrative Agent shall have received at least 10 Business Days prior to the making of the proposed Restricted Payment, a certificate signed by a member of Senior Management of the Borrower Representative certifying compliance with the foregoing conditions.

"Revolving Credit Availability Period" means the period from and including the Closing Date to the earliest of (i) the Maturity Date for the Revolving Credit Facility, (ii) the date of termination of the Revolving Credit Facility pursuant to Section 2.06(a), and (iii) the date of termination of the commitment of each Revolving Credit Lender to make Revolving Credit Loans, of the obligation of the L/C Issuer to make L/C Credit Extensions, and of the Swinlingline Lender to make Swingline Loans pursuant to Section 8.02.

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Loans made by each of the Revolving Credit Lenders pursuant to Section 2.01(a).

"Revolving Credit Commitments" means, as to each Revolving Credit Lender, its obligation (a) to make Revolving Credit Loans to the Borrowers pursuant to Section 2.01(a), (b) to purchase participations in L/C Obligations, and (c) to make Revolving Credit Loans to the Borrower to repay Swingline Loans made by the Swingline Lender to the Borrowers, in each case, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Revolving Credit Lender's name on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Revolving Credit Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"Revolving Credit Exposure" means, as to any Revolving Credit Lender at any time, the the aggregate principal amount at such time of (a) its outstanding Revolving Credit Loans, (b) such Revolving Credit Lender's participation in outstanding L/C Obligations at such time, and (c) the aggregate outstanding Swingline Loans.

"Revolving Credit Facility" means, at any time, the aggregate amount of the Revolving Credit Commitments at such time. As of the Closing Date, the Revolving Credit Facility is $45,000,000.

"Revolving Credit Lenders" means each Lender with a Revolving Credit Commitment, or following the termination of the Revolving Credit Commitments, which has Revolving Credit Loans outstanding, a risk participation in outstanding L/C Obligations at such time, or an obligation to make Revolving Credit Loans to repay outstanding Swingline Loans at such time, and any other Person who becomes an assignee of the rights and obligations of a Revolving Credit Lender pursuant to terms of this Agreement.

"Revolving Credit Loan Account" has the meaning specified in Section 2.18(b).

"Revolving Credit Loans" has the meaning specified in Section 2.01(a).

"Revolving Credit Note" means a promissory note made by the Borrowers in favor of a Revolving Credit Lender evidencing the Revolving Credit Loans made by such Revolving Credit Lender, substantially in the form of Exhibit C-1

"Sam's Club" shall mean Sam's West, Inc. and Sam's East, Inc., collectively.

"Sanction(s)" means any international economic sanction administered or enforced by OFAC, the United Nations Security Council, the European Union, Her Majesty's Treasury or other relevant sanctions authority.

"Sanctioned Country" means a country subject to a sanctions program identified on the list maintained by OFAC and available at http://www.treasury.gov/resource-center/sanctions/ Programs/Pages/Programs.aspx, or as otherwise published from time to time.

"Sanctioned Person" means (a) a Person named on the list of "Specially Designated Nationals and Blocked Persons" maintained by OFAC available at http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx, or as otherwise published from time to time, (b) a Person named on the lists maintained by the United Nations Security Council available at http://www.un.org/sc/committees/list_compend.shtml, or as otherwise published from time to time, (c) a Person named on the lists maintained by the European Union available at http://eeas.europa.eu/cfsp/sanctions/consol-list_en.htm, or as otherwise published from time to time, (d) a Person named on the lists maintained by Her Majesty's Treasury available at http://www.hm-treasury.gov.uk/fin_sanctions_index.htm, or as otherwise published from time to time, or (e) (i) an agency of the government of a Sanctioned Country, (ii) an organization controlled by a Sanctioned Country, or (iii) a person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC.

"SARA" has the meaning specified in the definition of "Environmental Laws."

"Secured Parties" means, collectively, the Administrative Agent, the Lenders, each co-agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 9.05, each Cash Management Bank, and the other Persons the Obligations owing to which are or are purported to be secured by the Collateral under the terms of the Security Documents.

"Security Agreement" means, the Security Agreement dated as of the Closing Date, entered into by the Credit Parties and the Administrative Agent, together with any other security agreement granted by any Credit Party as required by Section 6.12 which shall be in form and substance reasonably satisfactory to the Administrative Agent.

"Secured Cash Management Agreement" means any Cash Management Agreement between any Credit Party and any Cash Management Bank.

"Secured Party Designation Notice" means a notice from any Lender or an Affiliate of a Lender substantially in the form of Exhibit I.

"Security Documents" means the Guarantees, the Security Agreements, the IP Security Agreement, the Mortgages, the Agency Account Agreements and all other guarantees, security agreements, intellectual property security agreements, mortgages, deeds of trust, control agreements, instruments and documents, including without limitation Uniform Commercial Code financing statements and other equivalent registrations and personal property security filings with respect to any other applicable jurisdiction, control agreements, required to be executed or delivered pursuant to, or in connection with, this Agreement or any other Loan Document, all in form and substance reasonably acceptable to the Administrative Agent.

"Senior Management" means with respect to any of the Credit Parties or any of its Subsidiaries, its chief financial officer, president or chief executive officer.

"Solvent" and "Solvency" mean, with respect to any Person on any date of determination, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature, (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital, and (e) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Specified Event of Default" means (i) any Event of Default set forth in Sections 8.01(a), 8.01(d)(ii), 8.01(e) or 8.01(j) or (ii) failure to comply with any requirement of Section 2.05(b) or any of the covenants contained in Sections 6.4, 6.10, 6.16, 6.17, 7.13 or 7.14.

"Sponsor Managers" means Eos Management, L.P., HCF – TS Blocker Corp., Highland Consumer Entrepreneurs Fund I Limited Partnership, Highland Consumer Fund I Limited Partnership and Labore et Honore LLC.

"Sponsors" means Eos TS Investor Co., ECP IV TS Investor Co., Highland Consumer Fund I Limited Partnership, HCF – TS Blocker Corp., Highland Consumer Entrepreneurs Fund I Limited Partnership, Rockhurst, LLC and Labore et Honore, LLC.

"SPC" has the meaning specified in Section 10.06(g).

"Subordinated Debt" means unsecured Indebtedness of any Credit Party or any Subsidiary that is expressly subordinated and made junior to the payment and performance in full of the Obligations, and evidenced as such by a Subordination Agreement.

"Subordinated Debt Documents" means all documents, agreements and instruments evidencing any Subordinated Debt and/or executed and/or delivered in connection with the incurrence of any Subordinated Debt, including, without limitation, each Subordination Agreement.

"Subordination Agreement" means a subordination and intercreditor agreement or such other written instrument containing subordination provisions, each in form and substance acceptable to the Required Lenders in their sole discretion.

"Subsidiary" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of Parent.

**"**Swingline Lender" means East West Bank, in its capacity as the lender of the Swingline Loans.

"Swingline Loan Account" has the meaning specified in Section 2.18(c).

"Swingline Loan Borrowing" means a borrowing consisting of a Swingline Loan made by the Swingline Lender pursuant to Section 2.01(c)

"Swingline Loan Commitment" means the obligation of the Swingline Lender to make Swingline Loans pursuant to Section 2.01(c) in an aggregate principal amount at any one time outstanding not to exceed the Swingline Loan Sublimit.

"Swingline Loan Participation Amount" has the meaning specified in Section 2.01(c)(iv).

"Swingline Loans" has the meaning specified in Section 2.01(c)(i).

"Swingline Loan Sublimit" means the lowest of (a) $5,000,000 and (b) the Revolving Credit Commitment of East West Bank. The Swingline Loan Sublimit is part of, and not in addition to, the Revolving Credit Facility.

"Synthetic Lease Obligation" means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term Loan" means an advance made by any Term Loan Lender under the Term Loan Facility.

"Term Loan Account" has the meaning specified in Section 2.18(a).

"Term Loan Borrowing" means a borrowing consisting of simultaneous Term Loans on the Closing Date made by each of the Term Loan Lenders pursuant to Section 2.01(b).

"Term Loan Commitment" means, as to each Term Loan Lender, its obligation to make a Term Loan to the Borrowers pursuant to Section 2.01(b) on the Closing Date in an aggregate principal amount not to exceed the product of (i) the percentage set forth opposite such Term Loan Lender's name on Schedule 2.01 under the caption "Term Loan Commitment Percentage" and (ii) the Term Loan Commitment Amount.

"Term Loan Commitment Amount" means $5,000,000.

"Term Loan Commitments" means (a) as to each Term Loan Lender, its Term Loan Commitment or (b) with respect to any Person that becomes a Term Loan Lender after the Closing Date pursuant to an Assignment and Assumption, its obligation to maintain the applicable Term Loan to the Borrowers in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such caption in the Assignment and Assumption pursuant to which such Person becomes a Term Loan Lender, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"Term Loan Facility" means at any time (a) on or prior to the Closing Date, the aggregate amount of the Term Loan Commitments at such time and (b) thereafter, the aggregate principal amount of the Term Loans of all the Term Loan Lenders outstanding at such time. As of the Closing Date, the aggregate principal amount of the Term Loan Facility is $5,000,000.

"Term Loan Lender" means any Lender that holds a Term Loan at such time.

"Term Loan Lenders" means (i) each Term Loan Lender and (b) any other Person who becomes an assignee of the rights and obligations of a Term Loan Lender pursuant to terms of this Agreement.

"Term Loan Note" means a promissory note made by the Borrowers in favor of a Term Loan Lender evidencing the Term Loans made by such Term Loan Lender, substantially in the form of Exhibit C-2.

"Total Outstandings" means, as of the date of determination, an amount equal to the sum of the Total Revolving Credit Outstandings at such date and the Total Term Loan Outstandings at such date.

"Total Revolving Credit Outstandings" means, as of the date of determination, the sum of (a) the aggregate Outstanding Amount of all Revolving Credit Loans, (b) the aggregate Outstanding Amount of all L/C Obligations, (iii) the aggregate Outstanding Amount of all Swingline Loans, and (iv) the aggregate Outstanding Amount of all Cash Management Obligations.

"Total Term Loan Outstandings" means, as of the date of determination, the aggregate Outstanding Amount of all Term Loans.

"Trade Date" has the meaning specified in Section 10.06(b)(i).

"Type" means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

"UCP" means, with respect to any Letter of Credit, the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce ("ICC") Publication No. 600 (or such later version thereof as may be in effect at the time of issuance).

"Unfinanced Capital Expenditures" means all Capital Expenditures of the Credit Parties and their Subsidiaries other than those made utilizing financing provided by the applicable seller or third party lenders. For the avoidance of doubt, Capital Expenditures made by any Borrower utilizing Revolving Advances shall be deemed Unfinanced Capital Expenditures.

"Uniform Commercial Code" or "UCC" means the Uniform Commercial Code as in effect in the State of New York; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, "Uniform Commercial Code" or "UCC" means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

"United States" and "U.S." mean the United States of America.

"U.S. Person" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

"U.S. Tax Compliance Certificate" has the meaning specified in Section 3.01(e)(ii)(B)(III).

"Unreimbursed Amount" has the meaning specified in Section 2.03(c)(i).

"Unused Facility Fee" has the meaning specified in Section 2.09(a).

"Unused Facility Fee Rate" shall mean (a) at any time that the Overall Unused Amount is greater than fifty percent (50%) of the Revolving Credit Facility, 0.50% per annum and (b) at any time that the Overall Unused Amount is less than or equal to fifty percent (50%) of the Revolving Credit Facility, 0.375%.

"Wal-Mart" shall mean Wal-Mart Stores, Inc., Wal-Mart Stores East, LP and Wal-Mart Stores Texas, LP.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

**1.02 Other Interpretive Provisions.** With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Governing Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

**1.03 Accounting Terms.** (a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Draft Audited Financial Statements, except as otherwise specifically prescribed herein. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Indebtedness of the Credit Parties and their Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 and FASB ASC 470-20 on financial liabilities shall be disregarded.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio, negative covenant or requirement set forth in any Loan Document, and either the Borrowers or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrowers shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio, negative covenant or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrowers shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio, covenant or requirement made before and after giving effect to such change in GAAP.

**1.04 Rounding.** Any financial ratios required to be maintained by any of the Credit Parties pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

**1.05 Times of Day.** Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

## ARTICLE II
## THE COMMITMENTS AND CREDIT EXTENSIONS

**2.01 Loans.**

(a) Revolving Credit Loans. Subject to the terms and conditions set forth herein, each Revolving Credit Lender severally agrees to make revolving credit loans (each such loan, a "Revolving Credit Loan") to the Borrowers from time to time, on any Business Day during the Revolving Credit Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Revolving Credit Lender's Revolving Credit Commitment so long as (without duplication) after giving effect to any Revolving Credit Borrowing, (i) Overall Excess Availability shall be greater than $0, (ii) Total Revolving Credit Outstandings shall not exceed the Revolving Credit Facility and (iii) such Revolving Credit Lender's Revolving Credit Exposure shall not exceed its Revolving Credit Commitment. Within the limits of each Revolving Credit Lender's Revolving Credit Commitment, and subject to the other terms and conditions of this Agreement, the Borrowers may borrow, prepay and reborrow Revolving Credit Loans. Revolving Credit Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein; provided, however, that any Revolving Credit Loans made on the Closing Date shall be made as Base Rate Loans and may be converted to Eurodollar Rate Loans within two (2) Business Days after the Closing Date so long as the Borrowers provide to the Administrative Agent a Loan Notice requesting the conversion of such Base Rate Loans to Eurodollar Rate Loans on or before the Closing Date.

(b) Term Loans. Subject to the terms and conditions set forth herein, each Term Lender severally agrees to make a Term Loan to the Borrowers on the Closing Date in an aggregate amount equal to such Term Loan Lender's Term Loan Commitment. Amounts borrowed under this Section 2.01(b) once paid or prepaid, may not be reborrowed. Term Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein; provided, however, the Term Loans made on the Closing Date shall be made as Base Rate Loans and may be converted to Eurodollar Rate Loans within two (2) Business Days after the Closing Date so long as the Borrowers provide to the Administrative Agent a Loan Notice requesting the conversion of such Base Rate Loans to Eurodollar Rate Loans on or before the Closing Date.

(c) Swingline Loans.

i. Subject to the terms and conditions hereof, the Swingline Lender agrees to make available a portion of the credit accommodations otherwise available to Borrower under the Revolving Credit Facility from time to time prior to the Maturity Date for the Revolving Credit Facility by making swingline loans (each a "Swingline Loan" and, collectively, the "Swingline Loans") to the Borrowers; provided that (a) the aggregate principal amount of Swingline Loans outstanding at any time shall not exceed the Swingline Loan Commitment then in effect, (b) the Borrowers shall not request, and the Swingline Lender shall not make, any Swingline Loan if, after giving effect to the making of such Swingline Loan, the aggregate amount of the available Revolving Credit Commitments would be less than zero, and (c) the Borrowers shall not use the proceeds of any Swingline Loan to refinance any then outstanding Swingline Loan. The Borrowers may use the Swingline Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. To the extent not otherwise required by the terms hereof to be repaid prior thereto, the Borrowers shall repay to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the Maturity Date for the Revolving Credit Facility.

ii. Whenever the Borrowers desire that the Swingline Lender make a Swingline Loan, the Borrower Representative shall deliver to the Swingline Lender not later than 1:00 p.m. Eastern time (11:00 a.m. Mountain time, 10:00 a.m. Pacific time), on the proposed Borrowing date of such Swingline Loan) a Loan Advance Request, specifying (i) the amount to be borrowed, (ii) the requested Borrowing date of such Swingline Loan (which shall be a Business Day prior to the Maturity Date for the Revolving Credit Facility), and (iii) instructions for the remittance of the proceeds of such Swingline Loan. Promptly thereafter, on the Borrowing date specified in the Loan Advance Request for a Swingline Loan, the Swingline Lender shall make available to the Borrowers an amount in immediately available funds equal to the amount of the Swingline Loan to be made either by (A) crediting such amount to the Borrowers' operating account at East West Bank or (B) wire transfer of such amount in accordance with instructions provided to (and reasonably acceptable to) the Swingline Lender by the Borrower Representative. Unless a Swingline Loan is sooner refinanced by a Revolving Credit Loan pursuant to Section 2.01(c)(iii), the Borrowers shall repay each Swingline Loan no later than ten (10) Business Days after the making of such Swingline Loan.

iii. The Administrative Agent, on behalf of Swingline Lender, at least weekly (or on any more frequent basis as the Administrative Agent elects or as the Swingline Lender may request) shall, on telephonic notice given by the Administrative Agent no later than 11:00 a.m. Pacific time, and promptly confirmed in writing, request each Revolving Credit Lender to make, and each Revolving Credit Lender hereby agrees to make, a Revolving Credit Loan, in an amount equal to such Revolving Credit Lender's Applicable Percentage of the Revolving Credit Commitments times the aggregate principal amount of the Swingline Loans (each a "Refunded Swingline Loan") outstanding on the date of such notice, to repay the Swingline Lender. Each Revolving Credit Lender shall make the amount of such Revolving Credit Loan available to the Administrative Agent in immediately available funds, not later than 1:00 p.m., Pacific time, on the date of such notice. The proceeds of such Revolving Credit Loan shall immediately be made available by the Administrative Agent to the Swingline Lender for application by the Swingline Lender to the repayment of the Refunded Swingline Loan. The Borrowers irrevocably authorize the Swingline Lender to charge the Borrowers' operating account with East West Bank (up to the amount available in such account) immediately to pay the amount of any Refunded Swingline Loan to the extent amounts received from the Revolving Credit Lenders are not sufficient to repay in full such Refunded Swingline Loan.

iv. If prior to the time that the Borrowers have repaid a Swingline Loan pursuant to Section 2.01(c)(ii) or a Revolving Credit Advance has been made pursuant to Section 2.01(c)(iii), one of the events described in Section 8.01(e) shall have occurred or if for any other reason, as determined by the Swingline Lender in its sole discretion, Revolving Credit Loans may not be made as contemplated by Section 2.01(c)(iii), each Revolving Lender shall, on the date such Revolving Credit Loan was to have been made pursuant to the notice referred to in Section 2.01(c)(iii) or on the date requested by the Swingline Lender (with at least one Business Day's notice to the Revolving Credit Lenders), purchase for cash an undivided participating interest in the then outstanding Swingline Loans by paying to the Swingline Lender an amount (the "Swingline Loan Participation Amount") equal to (i) such Revolving Credit Lender's Applicable Percentage of the Revolving Credit Commitments times (ii) the aggregate principal amount of the outstanding Swingline Loans that were to have been repaid with such Revolving Credit Loans.

v. Whenever, at any time after the Swingline Lender has received from any Revolving Credit Lender such Revolving Credit Lender's Swingline Participation Amount, the Swingline Lender receives any payment on account of the Swingline Loans, the Swingline Lender will distribute to such Revolving Credit Lender its Swingline Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Revolving Credit Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Revolving Credit Lender's pro rata portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swingline Loans then due); provided that in the event that such payment received by the Swingline Lender is required to be returned, such Revolving Credit Lender will return to the Swingline Lender any portion thereof previously distributed to it by the Swingline Lender.

vi. Each Revolving Credit Lender's obligation to make the Revolving Credit Loans referred to in Section 2.01(c)(iii) and to purchase participating interests pursuant to Section 2.01(c)(iv) shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such Revolving Credit Lender or the Borrowers may have against the Swingline Lender, the Borrowers or any other Person for any reason whatsoever, (ii) the occurrence of an Event of Default or the failure to satisfy any of the other conditions specified in Article IV, (iii) any adverse change in the condition (financial or otherwise) of the Borrowers, (iv) any breach of this Agreement or any other Loan Document by the Borrowers or any other Lender, or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

**2.02 Borrowings, Conversions and Continuations of Loans.**

(a) Each Borrowing of Revolving Credit Loans, each conversion of Revolving Credit Loans or Term Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrower Representative's irrevocable notice to the Administrative Agent, which may be given by telephone. Subject to the proviso in Section 2.01(a) respecting Borrowings occurring on the Closing Date, each such notice must be received by the Adminisrrative Agent not later than 1:00 p.m. Eastern time (11:00 a.m. Mountain time, 10:00 a.m. Pacific time) (i) two (2) Business Days prior to the requested date of any Borrowing of, conversion to, or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Loans and (ii) on the requested date of any Borrowing of Base Rate Loans. Each telephone notice by the Borrower Representative pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Loan Notice appropriately completed and signed by a member of Senior Management or Financial Officer of the Borrower Representative, which may be given by any Electronic Medium. Each such Loan Notice shall specify (i) the Borrower requesting such Borrowing, (ii) the requested date of the Borrowing or conversion, as applicable (which shall be a Business Day), (iii) whether the Borrowers are requesting a Borrowing or a conversion of Revolving Credit Loans or Term Loans from one Type to the other, (iv) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrowers fail to specify a Type of Loan in a Loan Notice or if the Borrowers fail to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrowers request a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Loan Notice, but fail to specify an Interest Period, the Borrowers will be deemed to have specified an Interest Period of one (1) month. The Borrower Representative may not request more than one (1) Borrowing on any Business Day.

(b) Following receipt of a Loan Notice, the Administrative Agent shall promptly notify each Revolving Credit Lender of the amount of its Applicable Percentage of the applicable Revolving Credit Loans and if no timely notice of a conversion or continuation is provided by the Borrowers, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in Section 2.02(a). In the case of a Borrowing, each Revolving Credit Lender shall make the amount of its Revolving Credit Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 1:00 p.m. Eastern time (11:00 a.m. Mountain time; 10:00 a.m. Pacific time) (or such later time as may be agreed upon by the Revolving Credit Lenders and the Administrative Agent) on the Business Day specified in the applicable Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Borrowing is the initial Credit Extension, Section 4.01), the Administrative Agent shall make all funds so received available to the applicable Borrower in like funds as received by the Administrative Agent either by (i) crediting the Borrowers' operating account at East West Bank or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower Representative provided, however, that if, on the date a Loan Notice with respect to a Revolving Credit Borrowing is given by the Borrowers, there are L/C Borrowings outstanding, then the proceeds of such Revolving Credit Borrowing, first, shall be applied to the payment in full of any such L/C Borrowings, and second, shall be made available to the Borrowers as provided above.

(c) Eurodollar Rate Loans. Except as otherwise provided herein, a Eurodollar Rate Loan that is a Revolving Credit Loan or a Term Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan. During the existence of a Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Lenders, and the Required Lenders may demand that any or all of the outstanding Eurodollar Rate Loans be converted immediately to Base Rate Loans.

(d) Notice of Interest Rates. The Administrative Agent shall promptly notify the Borrowers and the Lenders of the interest rate applicable to any Interest Period for the applicable Eurodollar Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrowers and the Lenders of any change in The Wall Street Journal prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) Interest Periods. After giving effect to all Borrowings, all conversions of Revolving Credit Loans and Term Loans from one Type to the other, and all continuations of Revolving Credit Loans and Term Loans as the same Type, there shall not be more than five (5) Interest Periods in effect at any time.

**2.03 Letters of Credit.**

(a) The Letter of Credit Commitment.

i. Subject to the terms and conditions set forth herein, (A) the L/C Issuer agrees, in reliance upon the agreements of the Revolving Credit Lenders set forth in this Section, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit in Dollars for the account of any Borrower, and to amend Letters of Credit previously issued by it, in accordance with Section 2.03(b), and (2) to honor drawings under the Letters of Credit; and (B) the Revolving Credit Lenders severally agree to participate in Letters of Credit issued for the account of any Borrower and any drawings thereunder; provided that after giving effect to any L/C Credit Extension with respect to any Letter of Credit, (w) the Total Revolving Credit Outstandings shall not exceed the Revolving Credit Facility, (x) the Revolving Credit Exposure of any Revolving Credit Lender shall not exceed such Lender's Revolving Credit Commitment, (y) the Outstanding Amount of the L/C Obligations shall not exceed the Letter of Credit Sublimit and (z) Overall Excess Availability shall be greater than $0. Each request by a Borrower for the issuance or amendment of a Letter of Credit shall be deemed to be a representation by the Borrowers that the L/C Credit Extension so requested complies with the conditions set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrowers' ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrowers may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

ii. The L/C Issuer shall not issue any Letter of Credit if:

(A) the expiry date of the requested Letter of Credit would occur more than twelve (12) months after the date of issuance, unless the Required Lenders have approved such expiry date (but provisions for automatic renewal may be included to the extent permitted by the L/C Issuer); or

(B) the expiry date of the requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Revolving Credit Lenders have approved such expiry date.

iii. The L/C Issuer shall not be under any obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the L/C Issuer from issuing the Letter of Credit, or any law applicable to the L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally or the Letter of Credit in particular or shall impose upon the L/C Issuer with respect to the Letter of Credit any restriction, reserve or capital requirement (for which the L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the L/C Issuer in good faith deems material to it;

(B) the issuance of the Letter of Credit would violate one or more policies of the L/C Issuer applicable to letters of credit generally;

(C) except as otherwise agreed by the Administrative Agent and the L/C Issuer, the Letter of Credit is in an initial stated amount less than $100,000;

(D) the Letter of Credit is to be denominated in a currency other than Dollars;

(E) any Revolving Credit Lender is at that time a Defaulting Lender, unless the L/C Issuer has entered into arrangements, including the delivery of Cash Collateral, satisfactory to the L/C Issuer (in its reasonable discretion) with the Borrowers or such Revolving Lender to eliminate the L/C Issuer's actual or potential Fronting Exposure (after giving effect to Section 2.16(a)(iv)) with respect to the Defaulting Lender arising from either the Letter of Credit then proposed to be issued or that Letter of Credit and all other L/C Obligations as to which the L/C Issuer has actual or potential Fronting Exposure, as it may elect in its reasonable discretion; or

(F) the Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder.

iv. The L/C Issuer shall not amend any Letter of Credit if the L/C Issuer would not be permitted at such time to issue the Letter of Credit in its amended form under the terms hereof.

v. The L/C Issuer shall be under no obligation to amend any Letter of Credit if (A) the L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to the Letter of Credit.

vi. The L/C Issuer shall act on behalf of the Revolving Credit Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the L/C Issuer shall have all of the benefits and immunities (A) provided to the Administrative Agent in Article IX with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and Issuer Documents pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in Article IX included the L/C Issuer with respect to such acts or omissions, and (B) as additionally provided herein with respect to the L/C Issuer.

(b) Procedures for Issuance and Amendment of Letters of Credit.

i. Each Letter of Credit shall be issued or amended, as the case may be, upon the request of any Borrower delivered to the L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of such Borrower. Such Letter of Credit Application may be sent by fax transmission, by United States mail, by overnight courier, by electronic transmission using the system provided by the L/C Issuer, by personal delivery or by any other means reasonably acceptable to the L/C Issuer. Such Letter of Credit Application must be received by the L/C Issuer and the Administrative Agent not later than 11:00 a.m. at least two (2) Business Days (or such later date and time as the Administrative Agent and the L/C Issuer may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; (G) the purpose and nature of the requested Letter of Credit; and (H) such other matters as the L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the L/C Issuer (1) the Letter of Credit to be amended; (2) the proposed date of amendment thereof (which shall be a Business Day); (3) the nature of the proposed amendment; and (4) such other matters as the L/C Issuer may require. Additionally, the Borrower shall furnish to the L/C Issuer and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as the L/C Issuer or the Administrative Agent may reasonably require.

ii. Promptly after receipt of any Letter of Credit Application, the L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, the L/C Issuer will provide the Administrative Agent with a copy thereof. Unless the L/C Issuer has received written notice from any Revolving Credit Lender, the Administrative Agent or any Credit Party, at least one (1) Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article IV shall not then be satisfied, then, subject to the terms and conditions hereof, the L/C Issuer shall, following notice to the Administrative Agent, on the requested date, issue a Letter of Credit for the account of the applicable Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Revolving Credit Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Revolving Credit Lender's Applicable Percentage times the amount of such Letter of Credit.

iii. Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the L/C Issuer will also deliver to the applicable Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements; Funding of Participations.

i. Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the L/C Issuer shall notify the Borrower Representative and the Administrative Agent thereof. Not later than 11:00 a.m. on the date of any payment by the L/C Issuer under a Letter of Credit (each such date, an "Honor Date"), the Borrowers shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing. If the Borrowers fail to so reimburse the L/C Issuer by such time, the Administrative Agent shall promptly notify each Revolving Credit Lender of the Honor Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and the amount of such Revolving Credit Lender's Applicable Percentage thereof. In such event, the Borrowers shall be deemed to have requested a Revolving Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, subject to the amount of the unutilized portion of the Revolving Commitments and the conditions set forth in Section 4.02 (other than the delivery of a Loan Notice). Any notice given by the L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

ii. Each Revolving Credit Lender shall upon any notice pursuant to Section 2.03(c)(i) make funds available (and the Administrative Agent may apply Cash Collateral provided for this purpose) for the account of the L/C Issuer at the Administrative Agent's Office in an amount equal to its Applicable Percentage of the Unreimbursed Amount not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Revolving Credit Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrowers in such amount. The Administrative Agent shall remit the funds so received to the L/C Issuer.

iii. With respect to any Unreimbursed Amount that is not fully refinanced by a Revolving Credit Borrowing of Base Rate Loans because the conditions set forth in Section 4.02 cannot be satisfied or for any other reason, the Borrowers shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced,

which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Revolving Credit Lender's payment to the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Revolving Credit Lender in satisfaction of its participation obligation under this Section.

iv. Until each Revolving Credit Lender funds its Revolving Credit Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Revolving Credit Lender's Applicable Percentage of such amount shall be solely for the account of the L/C Issuer.

v. Each Revolving Credit Lender's obligation to make Revolving Credit Loans or L/C Advances to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Revolving Credit Lender may have against the L/C Issuer, the Borrowers or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default; or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Revolving Credit Lender's obligation to make Revolving Credit Loans pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 4.02 (other than delivery by the Borrowers of a Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrowers to reimburse the L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.

vi. If any Revolving Credit Lender fails to make available to the Administrative Agent for the account of the L/C Issuer any amount required to be paid by such Revolving Credit Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), then, without limiting the other provisions of this Agreement, the L/C Issuer shall be entitled to recover from such Revolving Credit Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the L/C Issuer at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the L/C Issuer in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the L/C Issuer in connection with the foregoing. If such Revolving Credit Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Revolving Credit Loan included in the relevant Revolving Borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of the L/C Issuer submitted to any Revolving Credit Lender (through the Administrative Agent) with respect to any amounts owing under this Section 2.03(c)(vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

i. At any time after the L/C Issuer has made a payment under any Letter of Credit and has received from any Revolving Credit Lender such Revolving Credit Lender's L/C Advance in respect of such payment in accordance with Section 2.03(c), if the Administrative Agent receives for the account of the L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrowers or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Revolving Credit Lender its Applicable Percentage thereof in the same funds as those received by the Administrative Agent.

ii. the existence of any claim, counterclaim, setoff, defense or other right any Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement or by such Letter of Credit, the transactions contemplated hereby or any agreement or instrument relating thereto, or any unrelated transaction.

(e) Obligations Absolute. The obligation of the Borrowers to reimburse the L/C Issuer for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

i. any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

ii. the existence of any claim, counterclaim, setoff, defense or other right that any Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement or by such Letter of Credit, the transactions contemplated hereby or any agreement or instrument relating thereto, or any unrelated transaction;

iii. any draft, demand, endorsement, certificate or other document presented under or in connection with such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

iv. waiver by the L/C Issuer of any requirement that exists for the L/C Issuer's protection and not the protection of the Borrowers or any waiver by the L/C Issuer which does not in fact materially prejudice the Borrowers;

v. honor of a demand for payment presented electronically even if such Letter of Credit requires that demand be in the form of a draft;

vi. any payment made by the L/C Issuer in respect of an otherwise complying item presented after the date specified as the expiration date of, or the date by which documents must be received under, such Letter of Credit if presentation after such date is authorized by the UCC, the ISP or the UCP, as applicable;

vii. any payment by the L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

viii. any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Borrower.

The Borrower Representative shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower Representative's instructions or other irregularity, the Borrower Representative will immediately notify the L/C Issuer. The Borrowers shall be conclusively deemed to have waived any such claim against the L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) Role of L/C Issuer. Each Revolving Credit Lender and the Borrowers agree that, in paying any drawing under a Letter of Credit, the L/C Issuer shall not have any responsibility to obtain any document (other than any sight or time draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuer, the Administrative Agent, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable to any Revolving Credit Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Revolving Credit Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Issuer Document. The Borrowers hereby

assume all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude any Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuer, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable or responsible for any of the matters described in Section 2.03(e); provided, however, that anything in such clauses (including, without limitation, Section 2.03(e)) to the contrary notwithstanding, the Borrowers may have a claim against the L/C Issuer, and the L/C Issuer may be liable to the Borrowers, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrowers which the Borrowers prove, as determined by a final nonappealable judgment of a court of competent jurisdiction, were caused by the L/C Issuer's willful misconduct or gross negligence or the L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight or time draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring, endorsing or assigning or purporting to transfer, endorse or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason. The L/C Issuer may send a Letter of Credit or conduct any communication to or from the beneficiary via the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") message or overnight courier, or any other commercially reasonable means of communicating with a beneficiary.

(g) Applicability of ISP and UCP; Limitation of Liability. Unless otherwise expressly agreed by the L/C Issuer and the Borrowers when a Letter of Credit is issued (i) the rules of the ISP shall apply to each standby Letter of Credit, and (ii) the rules of the UCP shall apply to each commercial Letter of Credit. Notwithstanding the foregoing, the L/C Issuer shall not be responsible to any Borrower for, and the L/C Issuer's rights and remedies against the Borrowers shall not be impaired by, any action or inaction of the L/C Issuer required or permitted under any law, order, or practice that is required or permitted to be applied to any Letter of Credit or this Agreement, including the law or any order of a jurisdiction where the L/C Issuer or the beneficiary is located, the practice stated in the ISP or UCP, as applicable, or in the decisions, opinions, practice statements, or official commentary of the ICC Banking Commission, the Bankers Association for Finance and Trade—International Financial Services Association (BAFT-IFSA), or the Institute of International Banking Law & Practice, whether or not any Letter of Credit chooses such law or practice.

(h) Letter of Credit Fees. The Borrowers shall pay to the Administrative Agent for the account of each Revolving Credit Lender in accordance, subject to Section 2.16, with its Applicable Percentage a Letter of Credit fee (the "Letter of Credit Fee") for each Letter of Credit equal to 3.00% per annum times the daily amount available to be drawn under such Letter of Credit. Letter of Credit Fees with respect to each Letter of Credit shall be (1) due and payable on the first Business Day of each month, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand and (2) computed on a monthly basis in arrears.

(i) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. The Borrowers shall pay directly to the L/C Issuer for its own account a fronting fee with respect to each Letter of Credit at the rate per annum specified in the Fee Letter, computed on the daily amount available to be drawn under such Letter of Credit on a monthly basis in arrears. Such fronting fee shall be due and payable on or prior to the date that is ten (10) Business Days following each month end, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. In addition, the Borrowers shall pay directly to the L/C Issuer for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(j) Conflict with Issuer Documents. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

**2.04 Intentionally Omitted.**

**2.05 Prepayments; Repayments.**

(a) Voluntary Prepayments. The Borrower Representative may, upon notice to the Administrative Agent pursuant to a Prepayment Notice, at any time voluntarily prepay the entire amount of outstanding Term Loans in whole (and, for the avoidance of doubt, not in part unless consented to in writing by the Term Loan Lenders); provided that (i) the Administrative Agent consents to such prepayment, (ii) the Borrowers shall pay to the Administrative Agent (on behalf of each Term Loan Lender) its Applicable Percentage of the Early Term Loan Termination Fee, on the amount prepaid concurrently with such prepayment, (iii) such notice must be received by the Administrative Agent not later than 11:00 a.m. Eastern time (9:00 am Mountain time) three (3) Business Days prior to any such date of prepayment and (ii) any prepayment of the Term Loans shall be in the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment of the Term Loans to be prepaid. The Administrative Agent will promptly notify each Term Loan Lender of its receipt of each such notice, and of the amount of such Term Loan Lender's Applicable Percentage of such prepayment. If such notice is given by the Borrower Representative, the Borrowers shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of the Term Loans shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05.

(b) Advances in Excess of Overall Excess Availability. Subject to Section 2.17, if for any reason at any time, Overall Excess Availability is less than $0, the Borrowers shall immediately prepay the Obligations in an aggregate amount equal to such deficiency, which prepayment shall be applied in accordance with the priorities set forth in Section 8.03, in each case until Overall Excess Availability is equal to $0.

(c) Asset Dispositions. Immediately upon receipt by any Credit Party of Net Cash Proceeds from any asset disposition of Collateral (excluding dispositions of Inventory in the ordinary course of business and Permitted Asset Dispositions), the Borrowers shall prepay the Obligations in an amount equal to 100% of such Net Cash Proceeds so received (such prepayments shall be directed to the Collection Account and applied in accordance with the application of payments specified in Section 2.07(d)).

(d) Casualty Events and Extraordinary Receipts. The Borrowers shall prepay the Obligations in an amount equal to 100% of (i) Net Cash Proceeds received by any Credit Party from Casualty Events with respect to Collateral and (ii) all Extraordinary Receipts (in each case, such prepayments shall be directed to the Collection Account and applied in accordance with the application of payments specified Section 2.07(d).

(e) Equity Issuances. Immediately upon (a) the sale or issuance by any Credit Party or any of its Subsidiaries of any Capital Stock or (b) the receipt of any capital contribution by any Credit Party or any of its Subsidiaries on account of any Capital Stock issued by or in such Credit Party or such Subsidiary (in each case other than the sale or issuance of Capital Stock to, or receipt of any capital contributions from, any direct, indirect or beneficial owner of Capital Stock of such Credit Party or any of its Subsidiaries on the Original Closing Date) the Borrowers shall prepay the Obligations in an amount equal to 100% of such Net Cash Proceeds so received (such prepayments shall be directed to the Collection Account and applied in accordance with the application of payments specified in Section 2.07(d).

(f) Incurrence of Indebtedness. Immediately upon the incurrence or issuance by any Credit Party or any of its Subsidiaries of any Indebtedness other than Indebtedness of the type described in Sections 7.02(a), (b) and (d) through (j), the Borrowers shall prepay the Obligations in an amount equal to 100% of such Net Cash Proceeds so received (such prepayments shall be directed to the Collection Account and applied in accordance with the application of payments specified in Section 2.07(d).

(g) Excess Cash Flow Recapture. The Borrowers shall prepay the Obligations in an amount equal to 50% of the Excess Cash Flow for the Borrowers' Fiscal Year 2017. The Borrowers shall make such payment on the date that is ten (10) days after the earlier of (i) the date on which the Borrowers deliver their annual audited financial statements for Fiscal Year 2017 to the Administrative Agent pursuant to Section 6.04(a) and (ii) the date on which the Borrowers are required to deliver such financial statements pursuant to Section 6.04(a). The Administrative Agent shall apply such payment to the outstanding principal amount of the Term Loans in the inverse order of maturity.

(h) Daily Application of Funds in Collection Account. On and after the Closing Date, the Borrowers hereby irrevocably authorize and direct the Administrative Agent to apply all funds held in the Collection Account to the repayment of outstanding Revolving Credit Loans on a daily basis in accordance with Section 2.07(c); provided, that following the occurrence and during the continuance of an Event of Default, all funds held in the Collection Account shall be remitted to the Administrative Agent for application to the Obligations in the accordance with the priorities set forth in Section 8.03.

**2.06 Termination or Reduction of Commitments.**

(a) Revolving Credit Facility. The Borrower Representative may, with the consent of the Administrative Agent and upon notice to the Administration Agent, terminate the Revolving Credit Facility in full or permanently reduce the Revolving Credit Facility in part; provided that (i) any such notice shall be received by the Administrative Agent not later than 11:00 a.m. Eastern time (10:00 a.m. Mountain time; 8:00 a.m. Pacific time) five (5) Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of $1,000,000 or any whole multiple of $1,000,000 in excess thereof (subject to any adjustments required to effect the pro rata repayment required pursuant to Section 2.05), (iii) the Borrower Representative shall not terminate or reduce the Revolving Credit Facility if, after giving effect thereto and to any concurrent prepayments hereunder, Overall Excess Availability would be less than $0, and (iv) the Borrowers shall pay to the Administrative Agent (on behalf of each Revolving Credit Lender in accordance with its Applicable Percentage) the Early Revolving Credit Facility Termination Fee, if applicable, on the amount terminated or reduced concurrently with such termination or reduction. The Administrative Agent will promptly notify the Revolving Credit Lenders of any such notice of termination or reduction of the Revolving Credit Facility. Any reduction of the Revolving Credit Facility shall be applied to the Revolving Credit Commitment of each Revolving Credit Lender according to its Applicable Percentage. All fees accrued until the effective date of any termination of the Revolving Credit Facility shall be paid on the effective date of such termination.

(b) Term Loan Facility. The Term Loan Commitments shall be automatically and permanently reduced to zero upon the making of the Term Loans on the Closing Date.

**2.07 Repayment of Loans.**

(a) Revolving Credit Loans. In addition to the repayment of the Loans pursuant to Sections 2.05, the Borrowers shall repay to the Administrative Agent, on behalf of the Revolving Credit Lenders, on the Maturity Date applicable thereto, the aggregate principal amount of all Revolving Credit Loans outstanding on such date.

(b) Term Loans. In addition to the repayment of the Loans pursuant to Sections 2.05, the Borrowers shall repay to the Administrative Agent, on behalf of the Term Loan Lenders, the principal amount of the Term Loans as follows:

(i) Commencing on February 1, 2017 and continuing on the first day of each month thereafter, through and including December 1, 2018, monthly payments of $208,333 each; and;

(ii) On the Maturity Date applicable to the Term Loans, a final payment of the remaining outstanding principal amount of the Term Loans.

(c) Collection Account Funds. Subject to the immediately succeeding sentence, and subject to the terms of the applicable Agency Account Agreement, the Administrative Agent may, on a daily basis, apply funds transferred and credited to the Collection Account to the repayment of any outstanding Revolving Credit Loans in accordance with each Revolving Credit Lender's respective Applicable Percentage of such outstanding Revolving Credit Loans. The Administrative Agent shall apply any funds received into the Collection Account pursuant to Sections 2.05(c) through (f) to the prepayment of the Obligations in accordance with the order of priority set forth in Section 8.03.

**2.08 Interest.**

(a) Subject to the provisions of subsection (b) below: (i) each Revolving Credit Loan and Term Loan that is a Base Rate Loan and each Swingline Loan shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the Base Rate plus the Applicable Margin; and (ii) each Revolving Credit Loan and Term Loan that is a Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate determined by the Administrative Agent for such Interest Period plus the Applicable Margin.

(b) Following the occurrence and during the continuance of an Event of Default, the Obligations shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest accruing at the Default Rate shall be due and payable to the Administrative Agent on demand by the Administrative Agent. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

(d) Interest on each Loan shall be paid directly to the Administrative Agent and applied in accordance with the terms hereof.

**2.09 Fees.**

(a) Unused Facility Fee. The Borrowers shall pay to the Administrative Agent for the account of the Revolving Credit Lenders in accordance with their Applicable Percentages, an unused facility fee (the "Unused Facility Fee") equal to the Unused Facility Fee Rate times the daily average amount of Overall Unused Amount for the applicable calendar month for which such Unused Facility Fee is due. The Unused

Facility Fee shall accrue at all times during the term of this Agreement that Revolving Credit Commitments are outstanding, including at any time during which one or more of the conditions in Article IV is not met, and shall be calculated and due and payable monthly in arrears on the first day of each calendar month, commencing with the first such date to occur after the Closing Date, and on the Maturity Date;

(b) Collateral Monitoring Fee. The Borrowers shall pay to the Administrative Agent, for its own account, a collateral monitoring fee equal to $500 for each full Fiscal Month to occur following the Closing Date and prior to the Maturity Date;

(c) Annual Loan Fee. The Borrowers shall pay to the Administrative Agent, for the ratable account of the Revolving Credit Lenders, on each anniversary of the Closing Date to occur prior to the Maturity Date, an annual fee in the amount of one-tenth of one percent (0.10%) of the then-current aggregate amount of the Revolving Credit Commitments;

(d) Other Fees. The Borrowers shall pay to the Administrative Agent the fees in the amounts and at the times specified in the Fee Letter. All such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

**2.10 Computation of Interest and Fees**. All computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

**2.11 Evidence of Debt**. The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrowers and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrowers hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrowers shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

**2.12 Payments Generally; Administrative Agent's Clawback.**

(a) General. All payments to be made by the Borrowers shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrowers hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 12:00 p.m. Eastern time (10:00 am Mountain time) on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 12:00 p.m. Eastern time (10:00 am Mountain time) shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrowers shall come due on a day other than a Business Day, payment shall be made on the next following Business Day (unless otherwise provided herein), and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) i. Funding by Lenders; Presumption by Agents. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing of Loans that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 and may, in reliance upon such assumption, make available to the Borrowers a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrowers severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrowers to but excluding the date of payment to the Administrative Agent at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by the Borrowers, the interest rate applicable to such Loans made. If the Borrowers and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrowers the amount of such interest paid by the Borrowers for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrowers shall be without prejudice to any claim the Borrowers may have against a Lender that shall have failed to make such payment to the Administrative Agent.

ii. Payments by Borrowers; Presumptions by Agents. Unless the Administrative Agent shall have received notice from the Borrowers prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders that the Borrowers will not make such payment, the Administrative Agent may assume that the Borrowers have made such payment on such date in

accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrowers have not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Borrowers with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrowers by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds promptly (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender to make any Loan or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or to make its payment under Section 10.04(c).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

**2.13 Sharing of Payments by Lenders**. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Loans made by it resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Loans and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided that:

i. if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

ii. the provisions of this Section shall not be construed to apply to (x) any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrowers or any Subsidiary of the Borrowers (as to which the provisions of this Section shall apply).

The Borrowers consent to the foregoing and agree, to the extent they may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrowers rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrowers in the amount of such participation.

**2.14 Collateral and Guarantees.**

(a) Collateral. The Loans and the other Obligations shall be secured by valid, first priority, perfected and enforceable Liens in favor of the Administrative Agent, for the benefit of the holders of the Obligations, in all of the Collateral subject to the terms of the Security Documents.

(b) Guarantees. Payment of the Loans and the other Obligations shall be unconditionally guaranteed by each Guarantor subject to the terms of the Guarantees.

(c) Further Assurances. Each Credit Party covenants and agrees that it shall, and shall cause each of its Subsidiaries party to the Security Documents to, comply with all terms and conditions of each of the Security Documents and that each Credit Party shall, and shall cause each of its Subsidiaries party to the Security Documents to, at any time and from time to time at the request of the Administrative Agent or the Required Lenders execute and deliver such instruments and documents and do such acts and things as the Administrative Agent or the Required Lenders may reasonably request in order to provide for or protect or perfect the Lien of the Administrative Agent in the Collateral subject to the terms of the Security Documents.

**2.15 Acknowledgement and Consent to Bail-In of EEA Financial Institutions.** Notwithstanding anything to the contrary in this Agreement or any Other Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under this Agreement or any Other Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

i. a reduction in full or in part or cancellation of any such liability;

ii. a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any Other Document; or

iii. the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

**2.16 Defaulting Lenders.**

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable Law:

i. Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Required Lenders" and Section 10.01.

ii. Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 10.08 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, as the Borrowers may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; third, if so determined by the Administrative Agent and the Borrowers, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement fourth, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; fifth, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrowers as a result of any judgment of a court of competent jurisdiction obtained by the Borrowers against such Defaulting Lender

as a result of such Defaulting Lender's breach of its obligations under this Agreement; and sixth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata in accordance with the Commitments hereunder. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

iii. Certain Fees.

(A) Fees. No Defaulting Lender shall be entitled to receive any fee payable under Section 2.09(a) for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Letter of Credit Fees. Each Defaulting Lender shall be entitled to receive Letter of Credit Fees for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Applicable Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.21.

(C) Defaulting Lender Fees. With respect to any fee payable under Section 2.09(a) or any Letter of Credit Fee not required to be paid to any Defaulting Lender pursuant to clause (A) or (B) above, the Borrowers shall (1) pay to each Non-Defaulting Lender that is a Revolving Credit Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in L/C Obligations that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (2) pay to the L/C Issuer the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such L/C Issuer's Fronting Exposure to such Defaulting Lender, and (3) not be required to pay the remaining amount of any such fee.

iv. Reallocation of Applicable Percentages to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in L/C Obligations shall be reallocated among the Non-Defaulting Lenders that are Revolving Credit Lenders in accordance with their respective Applicable Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (A) the conditions set forth in Section 3.02 are satisfied at the time of such reallocation (and, unless the Borrowers shall have otherwise

notified the Administrative Agent at such time, the Borrowers shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (B) such reallocation does not cause the aggregate Revolving Credit Exposure of any Non-Defaulting Lender that is a Revolving Credit Lender to exceed such Non-Defaulting Lender's Commitment. Subject to Section 2.15, no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender that is a Revolving Credit Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

v. Cash Collateral. If the reallocation described in clause (a)(iv) above cannot, or can only partially, be effected, the Borrowers shall, without prejudice to any right or remedy available to them hereunder or under applicable law, Cash Collateralize the L/C Issuer's Fronting Exposure in accordance with the procedures set forth in Section 2.21.

(b) Defaulting Lender Cure. If the Borrowers and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein that Lender will, to the extent applicable, purchase at par that portion of outstanding Revolving Credit Loans of the other Revolving Credit Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Revolving Credit Loans to be held on a pro rata basis by the Lenders in accordance with their Applicable Percentages, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrowers while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

**2.17 Protective Advances.**

(a) The Administrative Agent shall be authorized, in its discretion, at any time, whether or not a Default or Event of Default exists or any conditions in Section 4.02 are not satisfied, without regard to the amount of Overall Excess Availability to make loans ("Protective Advances") if the Administrative Agent, in its Permitted Discretion, deems such Loans necessary or desirable to preserve or protect any Collateral or the Borrowers' business operations, or to enhance the collectability or repayment of the Obligations. All Protective Advances shall bear interest at the Default Rate. All Protective Advances shall be Obligations secured by the Collateral and shall be payable by the Borrowers on demand by the Administrative Agent. The Revolving Credit Lenders may, in their sole discretion, participate in such Protective Advances in which case, each Revolving Credit Lender and Term Loan Lender shall participate in each Protective Advance pro rata between the Revolving Credit Facility and the Term Loan Facility and in accordance with each such Lenders' Applicable Percentage thereof and

shall reimburse the Administrative Agent upon such election (such Protective Advances, "Pro Rata Protective Advances"). Any funding of Protective Advances (including Pro Rata Protective Advances) shall not constitute a waiver by the Administrative Agent or the Lenders of the Event of Default caused thereby. In no event shall the Borrowers or any other Credit Party be deemed a beneficiary of this Section nor authorized to enforce any of its terms.

(b) The Administrative Agent shall be authorized, in its discretion, at any time, whether or not a Default or Event of Default exists or any conditions in Section 4.02 are not satisfied, without regard to the amount of Overall Excess Availability to voluntarily permit the outstanding Revolving Credit Loans at any time to exceed Overall Excess Availability by up to 10% of the Borrowing Base, but in no event in an aggregate outstanding amount in excess of $2,000,000 at any time for up to sixty (60) consecutive Business Days (the "Out-of-Formula Loans"). If the Administrative Agent is willing in its discretion to make such Out-of-Formula Loans, such Out-of-Formula Loans shall be payable on demand and shall bear interest at the Default Rate for Revolving Credit Loans consisting of Base Rate Loans; provided that, if the Lenders make Out-of-Formula Loans, neither the Administrative Agent nor the Lenders shall be deemed thereby to have changed the limits of **Section 2.01(a)**. For the purposes of this **Section 2.17(b)**, the discretion granted to the Administrative Agent hereunder shall not preclude involuntary overadvances that may result from time to time due to the fact that the amount available under **Section 2.01(a)** was unintentionally exceeded for any reason. If the Administrative Agent involuntarily permits the outstanding Revolving Credit Loans to exceed the amount available under **Section 2.01(a)** by more than 10% (or by an aggregate outstanding amount in excess of $2,000,000 at any time), the Administrative Agent shall use its efforts to have the Borrowers decrease such excess in as expeditious a manner as is practicable under the circumstances and not inconsistent with the reason for such excess. Revolving Credit Loans made after the Administrative Agent has determined the existence of involuntary overadvances shall be deemed to be involuntary overadvances and shall be decreased in accordance with the preceding sentence.

**2.18 Loan Accounts.**

(a) The Administrative Agent shall maintain in accordance with its usual and customary practices an account or accounts (the "Term Loan Account") evidencing the Indebtedness of the Borrowers resulting from each Term Loan from time to time. Any failure of the Administrative Agent to record anything in the Term Loan Account, or any error in doing so, shall not limit or otherwise affect the obligation of the Borrowers to pay any amount owing hereunder.

(b) The Administrative Agent shall maintain in accordance with its usual and customary practices an account or accounts (the "Revolving Credit Loan Account") evidencing the Indebtedness of the Borrowers resulting from each Revolving Credit Loan from time to time. Any failure of the Administrative Agent to record anything in the Revolving Credit Loan Account, or any error in doing so, shall not limit or otherwise affect the obligation of the Borrowers to pay any amount owing hereunder.

(c) The Swingline Lender shall maintain in accordance with its usual and customary practices an account or accounts (the "Swingline Loan Account") evidencing the Indebtedness of the Borrowers resulting from each Swingline Loan from time to time. Any failure of the Swingline Lender to record anything in the Swingline Loan Account, or any error in doing so, shall not limit or otherwise affect the obligation of the Borrowers to pay any amount owing hereunder.

(d) Entries made in any Loan Account shall constitute presumptive evidence of the information contained therein. If any information contained in any Loan Account is provided to or inspected by any Person, then such information shall be conclusive and binding on such Person for all purposes absent manifest error, except to the extent such Person notifies the Administrative Agent in writing within thirty (30) days after receipt or inspection that specific information is subject to dispute.

(e) The Administrative Agent is authorized to, and at its sole election may, charge to the applicable Loan Account on behalf of the Borrowers and cause to be paid all fees, expenses, charges, costs and interest and principal, other than principal of the Loans, owing by the Borrowers under this Agreement or any of the other Loan Documents, even if the amount of such charges would cause Overall Excess Availability to be less than $0. At the option of the Administrative Agent and to the extent permitted by law, any charges so made shall constitute part of the Loans hereunder. Alternatively, the Administrative Agent is authorized, subject to Section 8.03, to charge to such deposit account maintained by any Borrower at East West Bank as the Borrower Representative may designate on behalf of the Borrowers and cause to be paid all fees, expenses, charges, costs and interest and principal, other than principal of the Loans, owing by the Borrowers to the Revolving Credit Lenders, the Term Loan Lenders, the L/C Issuer or the Swingline Lender under this Agreement or any of the other Loan Documents.

**2.19 Borrower Representative**. Each Credit Party hereby designates PETIQ as its representative and agent on its behalf for the purposes of taking all actions required (including in respect of compliance with covenants) on behalf of any Credit Party under the Loan Documents (the "Borrower Representative"). The Borrower Representative hereby accepts such appointment. The Administrative Agent and each Lender may regard any notice or other communication pursuant to any Loan Document from the Borrower Representative as a notice or communication from all Credit Parties, and may give any notice or communication required or permitted to be given to any Credit Party hereunder to the Borrower Representative on behalf of such Credit Party or Credit Parties. Each Credit Party agrees that each notice, election, representation and warranty, covenant, agreement and undertaking made on its behalf by the Borrower Representative shall be deemed for all purposes to have been made by such Credit Party and shall be binding upon and enforceable against such Credit Party to the same extent as if the same had been made directly by such Credit Party.

**2.20 Reserves and Eligibility Criteria**. The Administrative Agent may, from time to time in its Permitted Discretion (x) establish, modify or eliminate Reserves and (y) adjust the eligibility criteria or establish new eligibility criteria with respect to Eligible Receivables, Eligible Inventory, Eligible Raw Materials Inventory, Eligible On-Hand Finished Goods Inventory and Eligible In-Transit Finished Goods Inventory.

**2.21 Cash Collateral for L/C Obligations.**

(a) Certain Credit Support Events. If (i) the L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing, (ii) as of the Letter of Credit Expiration Date, any L/C Obligation for any reason remains outstanding, (iii) the Borrowers shall be required to provide Cash Collateral pursuant to Section 2.05 or 8.02(c), or (iv) there shall exist a Defaulting Lender, the Borrowers shall immediately (in the case of clause (iii) above) or within one (1) Business Day (in all other cases) following any request by the Administrative Agent or the L/C Issuer, provide Cash Collateral in an amount not less than the applicable Minimum Collateral Amount (determined in the case of Cash Collateral provided pursuant to clause (iv) above, after giving effect to Section 2.16(a)(iv) and any Cash Collateral provided by the Defaulting Lender).

(b) Grant of Security Interest. The Borrowers, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to (and subjects to the control of) the Administrative Agent, for the benefit of the Administrative Agent, the L/C Issuer and the Secured Parties, and agrees to maintain, a first priority security interest in all such cash, deposit accounts and all balances therein, and all other property so provided as collateral pursuant hereto, and in all proceeds of the foregoing, all as security for the obligations to which such Cash Collateral may be applied pursuant to Section 2.21(c). If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent or the L/C Issuer as herein provided, or that the total amount of such Cash Collateral is less than the Minimum Collateral Amount, the Borrowers will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency. All Cash Collateral (other than credit support not constituting funds subject to deposit) shall be maintained in blocked, non-interest bearing deposit accounts at East West Bank. The Borrowers shall pay on demand therefor from time to time all customary account opening, activity and other administrative fees and charges in connection with the maintenance and disbursement of Cash Collateral.

(c) Application. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under any of this Section 2.21 or Sections 2.03, 2.05, 2.16 or 8.02 in respect of Letters of Credit shall be held and applied to the satisfaction of the specific L/C Obligations, obligations to fund participations therein (including, as to Cash Collateral provided by a Revolving Credit Lender that is a Defaulting Lender, any interest accrued on such obligation) and other obligations for which the Cash Collateral was so provided, prior to any other application of such property as may be provided for herein in accordance with Section 8.03.

(d) Release. Cash Collateral (or the appropriate portion thereof) provided to reduce Fronting Exposure or to secure other obligations shall be released promptly following (i) the elimination of the applicable Fronting Exposure or other obligations giving rise thereto (including by the termination of Defaulting Lender status of the applicable Lender (or, as appropriate, its assignee following compliance with Section

10.06(b)(vii))) or (ii) the determination by the Administrative Agent and the L/C Issuer that there exists excess Cash Collateral following the application of Section 8.03; provided, however, (A) any such release shall be without prejudice to, and any disbursement or other transfer of Cash Collateral shall be and remain subject to, any other Lien conferred under the Loan Documents and the other applicable provisions of the Loan Documents, and (B) the Person providing Cash Collateral and the L/C Issuer may agree that Cash Collateral shall not be released but instead held to support future anticipated Fronting Exposure or other obligations.

## ARTICLE III
## TAXES, YIELD PROTECTION AND ILLEGALITY

**3.01 Taxes.**

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.

i. Any and all payments by or on account of any obligation of any Credit Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of the Administrative Agent) require the deduction or withholding of any Tax from any such payment by the Administrative Agent or a Credit Party, then the Administrative Agent or such Credit Party shall be entitled to make such deduction or withholding, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

ii. If any Credit Party or the Administrative Agent shall be required by the Code to withhold or deduct any Taxes, including both United States Federal backup withholding and withholding taxes, from any payment, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Credit Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

iii. If any Credit Party or the Administrative Agent shall be required by any applicable Laws other than the Code to withhold or deduct any Taxes from any payment, then (A) such Credit Party or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received

pursuant to subsection (e) below, (B) such Credit Party or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Credit Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by the Credit Parties. Without limiting the provisions of subsection (a) above, the Credit Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse the Administrative Agent for the payment of, any Other Taxes.

(c) Tax Indemnifications.

i. Each of the Credit Parties shall, and does hereby, jointly and severally indemnify each Recipient, and shall make payment in respect thereof within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrowers by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error. Each of the Credit Parties shall, and do hereby, jointly and severally indemnify the Administrative Agent, and shall make payment in respect thereof within 10 days after demand therefor, for any amount which a Lender for any reason fails to pay indefeasibly to the Administrative Agent as required pursuant to Section 3.01(c)(ii) below.

ii. Each Lender shall, and does hereby, severally indemnify, and shall make payment in respect thereof within 10 days after demand therefor, (x) the Administrative Agent against any Indemnified Taxes attributable to such Lender (but only to the extent that any Credit Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Credit Parties to do so), (y) the Administrative Agent and the Credit Parties, as applicable, against any Taxes attributable to such Lender’s failure to comply with the provisions of Section 10.06(d) relating to the maintenance of a Participant Register and (z) the Administrative Agent and the Credit Parties, as applicable, against any Excluded Taxes attributable to such

Lender, in each case, that are payable or paid by the Administrative Agent or a Credit Party in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under this Agreement or any other Loan Document against any amount due to the Administrative Agent under this clause (ii).

(d) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrowers to a Governmental Authority as provided in this Section 3.01, the Borrowers shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders; Tax Documentation.

i. Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrowers and the Administrative Agent, at the time or times reasonably requested by the Borrowers or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrowers or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrowers or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrowers or the Administrative Agent as will enable the Borrowers or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.01(e)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment, such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

ii. Without limiting the generality of the foregoing, in the event that any Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Borrowers and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrowers or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax (or any substantively comparable subsequent versions thereof or successors thereto);

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrowers and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrowers or the Administrative Agent), whichever of the following is applicable:

(I) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN or W-8BEN-E (or any substantively comparable subsequent versions thereof or successors thereto) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or W-8BEN-E (or any substantively comparable subsequent versions thereof or successors thereto) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(II) executed copies of IRS Form W-8ECI (or any substantively comparable subsequent versions thereof or successors thereto);

(III) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 871(h) or 881(c) of the Code, a certificate substantially in the form of Exhibit H (a "U.S. Tax Compliance Certificate"), and duly executed copies of IRS Form W-8BEN or W-8BEN-E (or any substantively comparable subsequent versions thereof or successors thereto); or

(IV) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY (or any substantively comparable subsequent versions thereof or successors thereto), accompanied by IRS Form W-8ECI, IRS Form W-8BEN or W-8BEN-E (or any substantively

comparable subsequent versions thereof or successors thereto), a U.S. Tax Compliance Certificate substantially in the form of Exhibit H-2 or Exhibit H-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit H-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrowers and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrowers or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrowers or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrowers and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrowers or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrowers or the Administrative Agent as may be necessary for the Borrowers and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

iii. Each Lender agrees that if any form or certification it previously delivered pursuant to this Section 3.01 expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrowers and the Administrative Agent in writing of its legal inability to do so.

(f) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender, or have any obligation to pay to any Lender, any refund of Taxes withheld or deducted from funds paid for the account of such Lender. If any Recipient determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified by any Credit Party or with respect to which any Credit Party has paid additional amounts pursuant to this Section 3.01, it shall pay to the Credit Party an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by a Credit Party under this Section 3.01 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Credit Party, upon the request of the Recipient, agrees to repay the amount paid over to the Credit Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Recipient in the event the Recipient is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the applicable Recipient be required to pay any amount to the Credit Party pursuant to this subsection the payment of which would place the Recipient in a less favorable net after-Tax position than such Recipient would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This subsection shall not be construed to require any Recipient to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Credit Party or any other Person.

(g) Survival. Each party's obligations under this Section 3.01 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

**3.02 Illegality.** If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to perform any of its obligations hereunder or make, maintain or fund, or charge interest with respect to any Credit Extension, or to determine or charge interest rates, in each case, based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrowers through the Administrative Agent, any obligation of such Lender to issue, make, maintain, fund or charge interest with respect to any such Credit Extension or continue Loans at the Eurodollar Rate shall be suspended until such Lender notifies the Administrative Agent and the Borrower Representative that the circumstances giving rise to such determination no longer exist. Until such circumstances giving rise to the determination no longer exist, as set forth in a written notice provided by such Lender to the Administrative Agent and the Borrower Representative, all outstanding Loans of such Lender and Loans thereafter made by such Lender shall bear interest at the Base Rate plus 9.00% per annum (or at the Default Rate if an Event of Default has occurred that is continuing) in the amount specified therein.

**3.03 Inability to Determine Rates**. If the Administrative Agent determines in connection with any request for a Loan that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and/or for three month interest periods, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate or (c) the Eurodollar Rate with respect to a proposed Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrowers and each Lender. Thereafter, the obligation of the Lenders to make or maintain Loans at an interest rate based on the Eurodollar Rate shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice and during such time, all such outstanding Loans shall bear interest at the Base Rate plus 9.00% per annum (or at the Default Rate if an Event of Default has occurred that is continuing). Upon receipt of such notice, the Borrowers may revoke any pending request for a Borrowing of Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Loans bearing interest at the Base Rate plus 9.00% per annum (or at the Default Rate if an Event of Default has occurred that is continuing) in the amount specified therein.

**3.04 Increased Costs.**

(a) Increased Costs Generally. If any Change in Law shall:

i. impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender;

ii. subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

iii. impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making, continuing or maintaining any Loan (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, the Borrowers will pay to such Lender, as the case may be, such additional amount or amounts as will compensate such Lender, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such

Lender or the Loans made by such Lender, to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender, as the case may be, such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrowers shall be conclusive absent manifest error. The Borrowers shall pay such Lender, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Borrowers shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrowers of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

**3.05 Compensation for Losses**. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrowers shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of (a) any continuation, payment or prepayment of any Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration or otherwise); (b) any failure by any Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay or borrow any Loan on the date or in the amount notified by the Borrower Representative or (c) any assignment of a Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 10.13, including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained (all of such losses, costs or expenses, together with any administrative fees referred to in the following sentence, are referred to herein collectively as the "Breakage Costs"). The Borrowers shall also pay any customary administrative fees charged by such Lender in connection with the foregoing. For purposes of calculating amounts payable by the Borrowers to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Loan was in fact so funded.

**3.06 Mitigation Obligations; Replacement of Lenders.**

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.04, or requires any Borrower to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then at the request of the Borrower Representative such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agree to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrowers are required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 3.06(a), the Borrowers may replace such Lender in accordance with Section 10.13.

**3.07 Survival.** All of the Borrowers' obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder and resignation of the Administrative Agent.

## ARTICLE IV
## CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

**4.01 Conditions to the Closing Date.** The obligation of each Lender and the L/C Issuer to make any Credit Extension hereunder is subject to satisfaction of the following conditions on or prior to the date hereof to the satisfaction of the Administrative Agent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or facsimile or other electronic image transmission (e.g., "PDF" or "TIF" via electronic mail) copies (followed promptly by originals) unless otherwise specified, each properly executed by a member of the Senior Management of the signing Credit Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date):

i. (A) executed counterparts of this Agreement, sufficient in number for distribution to the Administrative Agent and the Borrowers;

ii. a Note executed by the Borrowers in favor of each Lender requesting a Note;

iii. an officer's certificate of each Credit Party executing a Loan Document: (A) attaching: (1) the certificate or articles of incorporation or memorandum and articles of association (or such equivalent thereof) of such Credit Party; and (2) the by-laws, limited liability company agreement, partnership agreement or other applicable Governing Document of such Credit Party, and (B) certifying and attaching true, correct and complete copies of the resolutions or votes of the board of directors or board of managers (or equivalent thereof) of such Credit Party, authorizing such Credit Party's entry into the Loan Documents to which it is a party; and (C) certifying the incumbency of members of the Senior Management of such Credit Party authorized to act in connection with this Agreement and the other Loan Documents to which such Credit Party is a party and providing a specimen signature of such members of the Senior Management of such Credit Party who will be signing Loan Documents on the Closing Date and thereafter;

iv. such documents and certifications as the Administrative Agent may require to evidence that each Credit Party executing a Loan Document is validly existing, in good standing and qualified to engage in business (A) in its jurisdiction of incorporation or formation, as applicable, and (B) in each other jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification in such jurisdiction;

v. favorable legal opinions of counsel to the Credit Parties addressed to the Administrative Agent and each Lender, as to matters concerning the Credit Parties and the Loan Documents as the Administrative Agent may reasonably request;

vi. a certificate of a member of the Senior Management of the Borrower Representative certifying that (A) the conditions specified in Sections 4.02(a), (b), (c) and (d) have been satisfied, (B) there has been no event or circumstance since January 31, 2016 that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect and (C) all consents, licenses and approvals required in connection with the execution, delivery and performance by each Credit Party and the validity against each Credit Party of the Loan Documents to which such Credit Party is a party have been obtained, and that such consents, licenses and approvals shall be in full force and effect (including, without limitation, consents, approvals and/or amendments necessary under any document or instrument evidencing any Indebtedness of any Credit Party);

(b) The Administrative Agent shall have received duly executed Agency Account Agreements, signed by each of the applicable parties thereto, for each deposit account or securities account required to be subject to an Agency Account Agreement pursuant to the terms of Section 6.17 hereof;

(c) The Administrative Agent shall have received certificates of insurance from an independent insurance broker naming the Administrative Agent as additional insured or lender's loss payee thereunder, identifying insurers, types of insurance, insurance limits, and policy terms, and otherwise describing the insurance obtained in accordance with the provisions of this Agreement and the other Loan Documents, which shall be in amounts, types and terms and conditions reasonably satisfactory to the Administrative Agent;

(d) The Security Documents shall be effective to create in favor of the Administrative Agent a legal, valid and enforceable first priority security interest in and Lien upon the Collateral;

(e) The Administrative Agent shall have received from each Credit Party executing a Loan Document, a completed and executed Perfection Certificate and the results of UCC and intellectual property searches with respect to the Collateral, indicating no Liens other than Permitted Liens and otherwise in form and substance reasonably satisfactory to the Administrative Agent;

(f) The Administrative Agent shall have received a business plan and budget of the Parent and its Subsidiaries on a consolidated basis, including forecasts prepared by management of the Borrower Representative, of consolidated balance sheets and statements of income or operations and cash flows of the Parent and its Subsidiaries for the three years following the Closing Date;

(g) The Administrative Agent shall have received an officer's certificate of the Borrower Representative dated as of the Closing Date and signed by a Financial Officer as to the Solvency of the Credit Parties and their Subsidiaries, on a consolidated basis, immediately after giving effect to the Loans hereunder and the other transactions contemplated hereby occurring on the Closing Date;

(h) The Administrative Agent shall have been satisfied with the results of all business and legal due diligence, including without limitation:

i. the results of collateral examinations and appraisals performed with respect to the Collateral, the Credit Parties and their Subsidiaries, each in form and substance satisfactory to the Administrative Agent; and

ii. the financial statements and projections referred to in Section 5.02, each in form and substance satisfactory to the Administrative Agent;

(i) The Administrative Agent shall have received an initial Loan Advance Request and disbursement instructions from the Borrowers, indicating how the proceeds of the Loans to be made on the Closing Date are to be disbursed;

(j) The Administrative Agent shall have received a funds flow memorandum in form, scope and substance reasonably satisfactory to the Administrative Agent;

(k) Any fees required to be paid under the Loan Documents on or before the Closing Date (including any such fees required by the Fee Letter) shall have been paid;

(l) The Borrowers shall have paid all fees, charges and disbursements of counsel to the Administrative Agent to the extent invoiced prior to the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrowers and the Administrative Agent);

(m) There shall be no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Credit Parties, threatened in writing, at law, in equity, in arbitration or before any Governmental Authority, by or against the Credit Parties, any of its Subsidiaries or any member of the Senior Management of any Credit Party or any of its Subsidiaries or against any of their properties or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or (b) could reasonably be expected to result in material liabilities against the Credit Parties and their Subsidiaries, taken as a whole, either individually or in the aggregate except as specifically disclosed in Schedule 5.07, and there has been no Material Adverse Effect on the Credit Parties and their Subsidiaries, taken as a whole, as a result of the matters described on Schedule 5.07;

(n) The Administrative Agent shall have received satisfactory written status updates regarding the Disclosed Litigation;

(o) No Credit Party nor any Subsidiary thereof is in default under or with respect to any (a) Contractual Obligation or Pharmaceutical License that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (b) Material Agreement. No Default shall have occurred or be continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document;

(p) After giving effect to all Revolving Credit Loans to be made on the Closing Date, the Borrowing Base shall exceed the sum of (a) the aggregate principal amount of such Revolving Credit Loans, (b) all trade payables of the Borrowers that are more than sixty (60) days past due, and (c) all book overdrafts by at least $3,375,000; and

(q) The Administrative Agent shall have received such other assurances, certificates, documents, consents or opinions as the Administrative Agent or the Lenders reasonably may require (including, if requested by the Administrative Agent, East West Bank's standard forms of automatic payment authorization and controlled account-disbursement authorization), each in form and substance reasonably satisfactory to the Administrative Agent.

Without limiting the generality of the provisions of Section 9.04, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or reasonably acceptable or satisfactory to such Person unless the Administrative Agent shall have received notice from such Person prior to the proposed Closing Date specifying its objection thereto.

**4.02 Conditions to all Credit Extensions**. The obligation of each Lender to honor any Request for Credit Extension (other than a Loan Notice requesting only a conversion of Loans to the other Type, or a continuation of Eurodollar Rate Loans) is subject to the following conditions precedent:

(a) The representations and warranties of the Borrowers and each other Credit Party contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct in all material respects (but without any duplication of any materiality qualifications) on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects (but without any duplication of any materiality qualifications) as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in Section 5.02 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b) respectively, of Section 6.04.

(b) No Default or Event of Default shall exist, or would result from such proposed Credit Extension or from the application of the proceeds thereof.

(c) The Borrower Representative shall have delivered to the Administrative Agent a Request for Credit Extension in accordance with the requirements hereof, which shall include a Borrowing Base Certificate in form and substance reasonably acceptable to the Administrative Agent (such Borrowing Base Certificate to be the most recent Borrowing Base Certificate delivered to the Administrative Agent pursuant to Section 6.04(d) modified to reflect Total Outstandings on such date).

(d) Subject to Section 2.17, (i) after giving effect to such Credit Extension, Overall Excess Availability shall be greater than $0 and (ii) if a Revolving Credit Borrowing is requested, after giving effect thereto, Total Revolving Credit Outstandings shall not exceed the Revolving Credit Facility.

Each Request for Credit Extension submitted by the Borrower Representative shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a), (b), (c), and (d) have been satisfied on and as of the date of the applicable Credit Extension.

## ARTICLE V
## REPRESENTATIONS AND WARRANTIES

Each Credit Party signatory hereto represents and warrants to the Lenders and the Administrative Agent for itself and on behalf of its Subsidiaries as follows:

**5.01 Corporate Authority, Etc.**

(a) Existence, Qualification and Power. Each Credit Party and each Subsidiary thereof (a) is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (c) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license; except in each case referred to in clause (b)(i) or (c) of this Section 5.01, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

(b) Authorization; No Contravention. The execution, delivery and performance by each Credit Party of each Loan Document to which such Person is party, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Person's Governing Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien (other than Permitted Liens) under, or require any material payment to be made under (i) any Contractual Obligation to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any applicable Law.

(c) Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with (a) the execution, delivery or performance by, or enforcement against, any Credit Party of this Agreement or any other Loan Document or (b) the grant by any Credit Party of the Liens granted by it pursuant to the Security Documents, (c) the perfection or maintenance by any Credit Party of the Liens created under the Security Documents (including the first priority nature thereof), or (d) the exercise by the Administrative Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Security Documents, except, in each case, for approvals, consents, exemptions, authorizations, actions, notice and filing which have been duly obtained, taken, given or made and are in full force and effect.

(d) Binding Effect. This Agreement has been, and each other Credit Document, when delivered hereunder, will have been, duly executed and delivered by each Credit Party that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of such Credit Party, enforceable against each Credit Party that is party thereto in accordance with its terms, except as enforceability may be limited by any applicable Debtor Relief Laws, moratorium or similar laws affecting creditors' rights generally and the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

**5.02 Financial Statements; Projections.**

(a) There has been furnished to the Administrative Agent (for distribution to each of the Lenders) financial statements of the type described in Section 6.04(a) for the 2015 Fiscal Year. Such financial statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Parent and its Subsidiaries as of the date thereof and their results of operations, cash flows and changes in shareholders' equity for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Parent and its Subsidiaries as of the date thereof, including liabilities for Taxes, material commitments and Indebtedness.

(b) There has been furnished to the Administrative Agent (for distribution to each of the Lenders) an unaudited consolidated balance sheet of the Parent and its Subsidiaries as of the Fiscal Month of October, 2016 and unaudited consolidated statements of income or operations and cash flow of the Parent and its Subsidiaries (other than the Mark and Chappell Entities) as of the Fiscal Month of October, 2016, in each case, certified by a Financial Officer of the Borrowers. Such balance sheet and statement of income or operations and cash flows have been prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and fairly present the financial condition of the Parent and its Subsidiaries as of the date thereof and the results of operations, cash flows and changes in shareholders' equity for the period covered thereby, subject, in the case of clauses (i) and (ii), to the absence of footnotes and to normal year-end audit adjustments. There are no contingent liabilities of the Borrowers or any Subsidiary as of such date involving material amounts, known to the officers of the Borrowers or any Subsidiary required to be disclosed in such balance sheet and the notes related thereto in accordance with GAAP which were not disclosed in such balance sheet and the notes related thereto.

(c) There has also been furnished to the Administrative Agent (for distribution to each of the Lenders), for the Parent and its Subsidiaries (other than the Mark and Chappell Entities) (i) forecasts for the 2016 Fiscal Year and (ii) projections for the 2017 Fiscal Year. Such forecasts and projections were prepared in good faith on the basis of assumptions stated therein, which assumptions were reasonable in light of the conditions existing at the time of their delivery and represented, at the time of delivery, the Borrowers' best estimate of its future financial conditions and performance. To the knowledge of the Credit Parties, as of the Closing Date, no facts exist that (individually or in the aggregate) would reasonably be expected to result in any material adverse change in any of such forecasts or projections (taken as a whole). Such forecasts and projections have been prepared on a pro forma basis after giving effect to the transactions contemplated hereby. As of the Closing Date, such forecasts and projections are based upon reasonable estimates and assumptions and reflect the reasonable estimates of the Credit Parties of the results of operations and other information projected therein.

**5.03 Solvency**. After giving effect to the Loans hereunder and the other transactions contemplated hereby, the Credit Parties and their Subsidiaries, on a consolidated basis, are Solvent.

**5.04 No Material Adverse Change**. Since December 31, 2015, there has occurred no Material Adverse Effect.

**5.05 Ownership of Property; Liens**. Each of the Credit Parties and each Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of the Credit Parties and their Subsidiaries is subject to no Liens, other than Liens permitted by Section 7.03.

**5.06 Franchises, Patents, Copyrights, etc.**. Each Credit Party possesses all franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business without known material conflict with any rights of others except to the extent that the failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Perfection Certificate delivered on the Closing Date sets forth a true, correct and complete list of all patents, patent applications, federally registered copyrights and copyright applications, trademarks and trademark applications owned by any Credit Party as of the Closing Date.

**5.07 Litigation**. There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Credit Parties, threatened in writing, at law, in equity, in arbitration or before any Governmental Authority, by or against any Credit Party or any of its Subsidiaries that (a) purport to materially adversely affect this Agreement or any other Loan Document, or any of the transactions contemplated hereby or (b) could reasonably be expected to result in material liabilities against the Credit Parties and their Subsidiaries, taken as a whole, either individually or in the aggregate except as disclosed in Schedule 5.07, and there has been no material adverse change in the status, or financial effect on the Credit Parties and their Subsidiaries, taken as a whole, of the matters described on Schedule 5.07.

**5.08 No Default**. No Credit Party nor any Subsidiary thereof has knowledge of any default under or with respect to any (a) Contractual Obligation or Pharmaceutical License that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (b) Material Agreement. No Default or Event of default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

**5.09 Compliance with Laws**. Each Credit Party and each Subsidiary thereof is in compliance with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

**5.10 Tax Status**. The Credit Parties (i) have filed or caused to be filed all federal, material provincial and all material state, and material foreign income and all other material tax returns, reports and declarations required by any jurisdiction to which any of them is subject and (ii) have paid all material Taxes (including withholdings) required to have been paid including in

their capacity as tax withholding agents, except those being contested in good faith and by appropriate proceedings and for which the Credit Parties have set aside on their books reasonably adequate provisions therefor in accordance with GAAP (unless foreclosure or other similar enforcement action has been commenced in respect thereof or any Lien has been filed or otherwise perfected therefor, in which case such exception does not apply). There is no proposed material tax assessment or other claim against, and no material tax audit with respect to, the Borrowers or any Subsidiary. Proper and accurate amounts have been withheld by each Credit Party from its respective employees for all periods in material compliance with all material applicable, federal, state, local and foreign laws and such withholdings have been timely paid to the respective Governmental Authorities.

**5.11 Insurance**. The properties of the Credit Parties are insured with financially sound and reputable insurance companies not Affiliates of the Borrowers, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Credit Parties operate, which such insurance shall include general property insurance, general liability insurance and insurance covering contamination or recall of Inventory.

**5.12 Holding Company and Investment Company Acts**. None of any Credit Party, any Person controlling any Credit Party, or any Subsidiary of any Credit Party, (a) is subject to regulation under the Federal Power Act, the Interstate Commerce Act, any state public utilities code or (b) is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

**5.13 ERISA Compliance.**

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state laws. Each Pension Plan that is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter from the IRS to the effect that the form of such Plan is qualified under Section 401(a) of the Code and the trust related thereto has been determined by the IRS to be exempt from federal income tax under Section 501(a) of the Code, or an application for such a letter is currently being processed by the IRS. To the best knowledge of each Credit Party, nothing has occurred that would prevent or cause the loss of such tax-qualified status.

(b) There are no pending or, to the best knowledge of each Credit Party, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred, and neither any Credit Party nor any ERISA Affiliate is aware of any fact, event or circumstance that could reasonably be expected to constitute or result in an ERISA Event with respect to any Pension Plan; (ii) each Credit Party and each ERISA Affiliate has met all applicable requirements under

the Pension Funding Rules in respect of each Pension Plan, and no waiver of the minimum funding standards under the Pension Funding Rules has been applied for or obtained; (iii) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is 60% or higher and neither any Credit Party nor any ERISA Affiliate knows of any facts or circumstances that could reasonably be expected to cause the funding target attainment percentage for any such plan to drop below 60% as of the most recent valuation date; (iv) neither any Credit Party nor any ERISA Affiliate has incurred any liability to the PBGC other than for the payment of premiums, and there are no premium payments which have become due that are unpaid; (v) neither any Credit Party nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or Section 4212(c) of ERISA; and (vi) no Pension Plan has been terminated by the plan administrator thereof nor by the PBGC, and no event or circumstance has occurred or exists that could reasonably be expected to cause the PBGC to institute proceedings under Title IV of ERISA to terminate any Pension Plan.

(d) Neither any Credit Party nor any ERISA Affiliate maintains or contributes to, or has any unsatisfied obligation to contribute to, or liability under, any active or terminated Pension Plan.

**5.14 Regulations U and X**. The proceeds of the Loans and Letters of Credit shall be used solely for the purposes specified in Section 6.11. No portion of any Loan is to be used for the purpose of purchasing or carrying any "margin security" or "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224.

**5.15 True Copies of Governing Documents**. As of the Closing Date, the Credit Parties have furnished or caused to be furnished to each of the Lenders true and complete copies of the Governing Documents (together with any amendments thereto) of each Credit Party.

**5.16 Fiscal Year**. The Credit Parties have a fiscal year ending December 31 of each year.

**5.17 Subsidiaries, etc.**. As of the Closing Date, the Borrowers do not have any Subsidiaries except as set forth on Schedule 5.17 hereto and, as of the Closing Date, all of the outstanding Capital Stock in such Subsidiaries has been validly issued, fully paid and nonassessable and are owned by the Borrowers (or a Subsidiary of the Borrowers) in the amounts specified on Schedule 5.17 free and clear of all Liens (other than Permitted Liens and Liens in favor the Administrative Agent granted under the Security Documents).

**5.18 Environmental Compliance**. Except as specifically disclosed in Schedule 5.18, (a) each Credit Party and each Subsidiary thereof is in compliance with the requirements of all Environmental Laws applicable to the business, operations and properties of such Credit Party and its Subsidiaries except where the failure to so comply could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Credit Parties and their Subsidiaries (x) are, and within the period of all applicable statutes of limitation have been, in compliance (in all material respects) with all applicable Environmental Laws; (y) hold all Environmental Permits (each of which is in full force and effect) required for any of their current operations or for any property owned, leased, or otherwise operated by any of them; and (z) are, and within the period of all applicable statutes of limitation have been, in compliance (in all material respects) with all of their Environmental Permits.

**5.19 Bank Accounts**. The Perfection Certificate delivered on the Closing Date sets forth the true, correct and complete account numbers and location of all bank accounts of the Credit Parties as of the Closing Date.

**5.20 Labor Contracts**. Except as set forth on Schedule 5.20, as of the Closing Date, none of the Credit Parties is party to any collective bargaining agreement. There are no material grievances, disputes or controversies with any union or other organization of any Credit Party's employees, or threats of strikes or work stoppages that would reasonably be expected to result in a Material Adverse Effect.

**5.21 Disclosure**. Each Credit Party has disclosed to the Administrative Agent all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect. No report, financial statement, certificate or other information furnished (whether in writing or orally) by or on behalf of any Credit Party to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (in each case, as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not materially misleading.

**5.22 No Equity Pledged. The Capital Stock of the Borrowers and their Subsidiaries is not pledged to any Person.**

**5.23 OFAC**. No Credit Party, nor, any Related Party nor, to the knowledge of the Credit Parties, any director, officer, employee, agent, affiliate or representative thereof, is an individual or entity that is, or is owned or controlled by any individual or entity that is (a) currently the subject of any Sanctions, (b) located, organized or residing in any Designated Jurisdiction, (c) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List, or any similar list enforced by any other relevant sanctions authority, or (d) or has been(within the previous five (5) years) engaged in any transaction with any Person who is now or was then the subject of Sanctions or who is located, organized or residing in any Designated Jurisdiction. Neither any Credit Party, nor any Subsidiary nor, to the knowledge of any Credit Party, any Affiliate of any Credit Party (x) is a Sanctioned Person, (y) has any of its assets in Sanctioned Countries, or (z) derives any of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Countries. No Loan, nor the proceeds from any Loan, has been used, directly or indirectly, to lend, contribute, provide or has otherwise made available to fund any activity or business in any Designated Jurisdiction or to fund any activity or business of any Person located, organized or residing in any Designated Jurisdiction or who is the subject of any Sanctions, or in any other manner that will result in any violation by any Person (including any Lender or the Administrative Agent ) of Sanctions.

## ARTICLE VI
## AFFIRMATIVE COVENANTS

Each Credit Party signatory hereto covenants and agrees for itself and on behalf of its Subsidiaries that, so long as any Lender shall have any Commitment hereunder or any Loan or other Obligation remains outstanding:

**6.01 Punctual Payment.** Each Credit Party will duly and punctually pay or cause to be paid when due all principal and interest on the Loans, the fees and all other Obligations and amounts provided for in this Agreement and the other Loan Documents to which it is a party and will cause to be paid any amounts owing by any Credit Party, all in accordance with the terms of this Agreement and such other Loan Documents.

**6.02 Maintenance of Office; Certain Changes**. Each Credit Party will maintain its chief executive office, distribution center, warehouse, shipping center, plant, factory, or other similar location at the locations identified in the Perfection Certificate delivered by such Credit Party to the Administrative Agent or at such other place as the Borrower Representative shall designate upon no less than (a) 30 days prior written notice to the Administrative Agent (or such shorter period as may be acceptable to the Administrative Agent) in the case of its chief executive office or a material distribution center, material warehouse or material plant (which, for the avoidance of doubt, shall include the facilities located in Florida, Utah, Texas and Indiana) or (b) 15 days prior written notice to the Administrative Agent (or such shorter period as may be acceptable to the Administrative Agent) in the case of any other distribution center, warehouse, shipping center, plant, factory or other similar location, in each case, where notices, presentations and demands to or upon any Credit Party in respect of the Loan Documents to which such Credit Party is a party may be given or made. Each Credit Party shall notify the Administrative Agent, in writing, not less than thirty (30) days' (or such shorter period as may be acceptable to the Administrative Agent) prior to any change in its name or the type of its organization, jurisdiction or organization, organizational identification number, or tax identification number .

**6.03 Records and Accounts**. Each Credit Party will (i) keep true and accurate records and books of account in which full, true and correct entries will be made in accordance with, and all financial statements provided for herein shall be prepared in accordance with GAAP consistently applied; (ii) maintain adequate accounts and reserves for all taxes (including income taxes, depreciation, depletion, obsolescence and amortization of its properties, contingencies and other reserves); and (iii) at all times maintain the Auditor as the Credit Parties' accountants.

**6.04 Financial Statements, Certificates and Information**. The Credit Parties will deliver to the Administrative Agent and, upon request, to the Lenders:

(a) as soon as practicable, but in any event no later than one hundred twenty (120) days after the end of each Fiscal Year, (i) the consolidated and consolidating balance sheet of the Parent and its Subsidiaries, as at the end of such Fiscal Year, and the related consolidated and consolidating statements of income or operations, cash flows and shareholders' equity for such Fiscal Year, each setting forth in comparative form the figures for the previous Fiscal Year and all such consolidated and consolidating financial statements to be in reasonable detail, prepared in accordance with GAAP consistently applied and such consolidated and consolidating financial statements to be audited and accompanied by a report and opinion prepared in accordance with generally accepted auditing standards by independent certified public accountants reasonably satisfactory to the Administrative Agent and certified without qualification and without expression of uncertainty as to the ability of the Borrowers and their Subsidiaries to continue as going concerns, together with a copy of their accountants' management letter (if any) for such Fiscal Year and (ii) a Compliance Certificate duly executed by a Financial Officer of the Borrower Representative, which, among other things, (A) attaches and certifies to the foregoing consolidated and consolidating financial statements, accountants statements, management letters and a management discussion and analysis prepared in connection with such financial statements, (B) certifies that the information contained in such consolidated and consolidating financial statements fairly presents in all material respects the financial condition of the Parent and its Subsidiaries on the dates indicated therein, (C) appends computations evidencing the Consolidated Fixed Charge Coverage Ratio for the Reference Period ended as of the last day of such Fiscal Year regardless of whether compliance with such covenant is then required, and to the extent applicable, specifying whether the Credit Parties have complied with Section 7.13, (D) appends calculations of the Consolidated EBITDA for the Credit Parties during such Fiscal Year and specifying whether the Credit Parties have complied with Section 7.14 and (E) states that such Financial Officer has reviewed this Agreement and the other Loan Documents and has no knowledge of any Default or Event of Default during such Fiscal Year, or if such Financial Officer has such knowledge, specifying each Default or Event of Default and the nature thereof;

(b) as soon as practicable, but in any event no later than thirty (30) days after the end of each Fiscal Month (or, in the case of the last Fiscal Month of each Fiscal Year, forty-five (45) days) (i) the unaudited monthly consolidated financial statements of the Parent and its Subsidiaries for such Fiscal Month, including the consolidated balance sheet of the Parent and its Subsidiaries, as at the end of such Fiscal Month, the related consolidated statements of income or operations, cash flows and shareholders' equity for such Fiscal Month and for the portion of the Fiscal Year then ended, each setting forth in comparative form the figures for the corresponding Fiscal Month of the previous Fiscal Year and the corresponding portion of the previous Fiscal Year, each, prepared in accordance with GAAP consistently applied and (ii) a Compliance Certificate duly executed by a Financial Officer of the Borrowers, which, among other things, (A) attaches and certifies to the foregoing financial statements, (B) certifies that the information contained in such financial statements fairly presents in all material respects the financial condition of the Parent and its Subsidiaries on the date thereof (subject to year-end adjustments and the absence of footnotes), (C) sets forth in comparative form the results for and through such Fiscal Month with the most recent projections delivered to the Administrative Agent pursuant to Section 6.04(e), (D) appends computations evidencing the Consolidated Fixed Charge Coverage Ratio for the Reference Period ended as of the last day of such Fiscal Month regardless of whether compliance with such

covenant is then required, and to the extent applicable, specifying whether the Credit Parties have complied with Section 7.13, (E) appends calculations of the Consolidated EBITDA for the Credit Parties for the Reference Period ended as of the last day of such Fiscal Month regardless of whether compliance with such covenant is then required and, to the extent applicable, specifying whether the Credit Parties have complied with Section 7.14, (F) sets forth (if applicable) reconciliations to reflect changes in GAAP since the date of the last audited financial statements of the Parent and its Subsidiaries and (G) states that such Financial Officer has reviewed this Agreement and the other Loan Documents and has no knowledge of any Default or Event of Default during such Fiscal Month, or if such Financial Officer has such knowledge, specifying each Default or Event of Default and the nature thereof to the Administrative Agent's reasonable satisfaction;

(c) as soon as practicable, but in any event no later than thirty (30) days after the end of each Fiscal Month, a management discussion and analysis prepared in connection with the financial statements of the Parent and its Subsidiaries for such Fiscal Month;

(d) as soon as available and in any event within two Business Days after the end of each calendar week, and at such other times as the Administrative Agent may reasonably require, (i) a Borrowing Base Certificate with respect to the Collateral of the Borrowers as of the close of business of such week on the immediately preceding Business Day (provided that if such week is the last week of a month, then the Borrowing Base Certificate for such week shall be delivered on the last day of the month), accompanied by accounts receivable and accounts payable agings and copies of the Borrowers' sales journal, cash receipts journal and credit memo for the relevant period, and such other supporting detail, documentation and information related thereto as the Administrative Agent shall reasonably request (including copies of all invoices prepared in connection with the Accounts) and (ii) a perpetual inventory and the Administrative Agent's standard form of Inventory report then in effect (or the form most recently requested by the Administrative Agent), by each category of Inventory, together with a description of the weekly change in each category of Inventory, in each case, as of the close of business on the last day of such week, in each case, accompanied by such supporting detail, documentation and information as the Administrative Agent shall reasonably request;

(e) As soon as practicable and in any event within twenty (20) days after the end of each Fiscal Month, (i) a summary and detailed aging of the Borrowers' Accounts in form and substance satisfactory to the Administrative Agent in its Permitted Discretion, (ii) a summary and detailed aging of the Borrowers' accounts payable in form and substance satisfactory to the Administrative Agent in its Permitted Discretion, (iii) a listing of any held checks, (iv) a perpetual inventory report for the Borrowers by each category of Inventory and otherwise in form and substance satisfactory to the Administrative Agent in its Permitted Discretion, and (v) reconciliations of Accounts, accounts payable, Inventory and loan balances to the general ledger;

(f) Within 30 days after each June 30 and December 31, a list of the names and addresses of all Account Debtors of the Borrowers;

(g) not later than January 31 of each Fiscal Year, an annual business plan and projections for the Borrowers and their Subsidiaries for the following Fiscal Year on a monthly basis (such projections to include consolidated balance sheets, statements of cash flows, statements of income or operations of the Borrowers and their Subsidiaries and Overall Excess Availability, in each case prepared on a month-by-month basis and such other matters reasonably requested by the Administrative Agent);

(h) promptly upon receipt thereof, copies of any detailed audit reports, financial control reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Credit Parties by independent accountants other consultants or advisors in connection with the accounts or books of ay Credit Party or any Subsidiary or any audit of any of them;

(i) immediately, and in any event within two (2) Business Days after receipt by a member of Senior Management thereof by any Credit Party or any Subsidiary thereof, copies of each notice or other correspondence received from any Governmental Authority concerning any material investigation by such agency regarding financial or other operational results of any Credit Party or any Subsidiary;

(j) promptly following the request of the Administrative Agent, a report summarizing the insurance coverage in effect for each Credit Party and promptly following the modification, renewal, replacement of any insurance policy of any Credit Party, updated insurance certificates and endorsements evidencing such coverage;

(k) as soon as practicable, but in any event no later than ten (10) days following the end of each Fiscal Quarter (or more frequently at the election of the Credit Parties), either (x) updated Schedules 5.07, 5.17, and 7.08, an updated Exhibit A to the IP Security Agreement and an updated list of bank accounts in the Perfection Certificate identified in Section 5.19. in each case in substantially the same form as the most recent schedule of the same delivered to the Administrative Agent or (y) for any of the foregoing for which there has been no change since the previous Fiscal Quarter, a certificate confirming that there has been no change in such information, which such updated schedules or certificate of no change shall be satisfactory to the Administrative Agent; and

(l) promptly following a request therefor, from time to time such sales projections, budgets, operating plans or other financial data or information as the Administrative Agent or any Lender may reasonably request.

**6.05 Notices.**

(a) Defaults. The Credit Parties will promptly (but in any event within three (3) Business Days) notify the Administrative Agent and each Lender in writing following Senior Management obtaining knowledge of the occurrence of (i) any Default or Event of Default or (ii) any “default,” “event of default” or material breach under any Material Agreement or Pharmaceutical License or (iii) any termination or expiration of any Material Agreement or Pharmaceutical License.

(b) Material Adverse Effect. The Credit Parties shall promptly (but in any event within three (3) Business Days following Senior Management obtaining knowledge thereof) disclose in writing to the Administrative Agent (for distribution to each Lender) any matter that has resulted or would reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of any Credit Party or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between any Credit Party or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting any Credit Party or any Subsidiary, including (A) with respect to any litigation disclosed on Schedule 5.07 and (B) pursuant to any applicable Environmental Laws.

(c) ERISA Events. The Credit Parties shall promptly following Senior Management obtaining knowledge disclose in writing to the Administrative Agent the occurrence of any ERISA Event;

(d) Change in Accounting Policies or Financial Reporting. The Credit Parties shall promptly disclose in writing to the Administrative Agent notice of (i) any material change in accounting policies or financial reporting practices by the Borrowers or any Subsidiary, provided, that no such change shall alter the accounting methodology for inventory or Receivables (including the aging of Receivables) without the prior written consent of the Administrative Agent or (ii) discharge by any Credit Party of its independent accountants or any withdrawal or resignation by such independent accountants.

(e) Notice of Tax Claims, Litigation and Judgments. The Credit Parties will give notice to the Administrative Agent and each Lender in writing within three (3) Business Days' of Senior Management obtaining knowledge of (i) any written notice of proposed assessment or written notice of the commencement of any audit by any Governmental Authority for unpaid Taxes of any Credit Party or any Subsidiary that are due and payable, (ii) any commencement of any litigation or proceedings threatened in writing or any pending litigation affecting any Credit Party or any of its Subsidiaries or to which any Credit Party or any Subsidiary thereof is or becomes a party involving any claim against any Credit Party that has resulted in or could reasonably be expected to result in (A) liabilities of more than $500,000 against any Credit Party or any Subsidiary or (B) a Material Adverse Effect or (iii) any commencement of (A) a criminal investigation or (B) a criminal conviction or penalty for any felony, in each case with respect to any Credit Party or member of Senior Management of any Credit Party. The Credit Parties will give notice to the Administrative Agent and each Lender, in writing, in form and detail reasonably satisfactory to the Administrative Agent, within five (5) Business Days' of any judgment not covered by insurance, final or otherwise, against any Credit Party in an amount in excess of $500,000 or of the entry of any non-monetary judgment that could reasonably be expected to have a Material Adverse Effect.

(f) Notification of Claim against Collateral. The Credit Parties will, promptly notify the Administrative Agent and each Lender in writing of any (i) Lien made or asserted against any of the Collateral or (ii) setoff, claims (including, with respect to the Real Estate, environmental claims), withholdings or other defenses in amounts greater than $100,000 or defenses to the Administrative Agent's rights with respect to the Collateral.

(g) Notices Concerning Inventory Collateral. The Borrowers shall provide to the Administrative Agent Prompt notice of (a) any physical count of any Borrower's Inventory, together with a copy of the results thereof certified by the Borrowers, (b) any determination by the Borrowers that the aggregate Inventory levels of the Borrowers are not adequate to meet the sales projections of the Borrowers, and (c) any failure of any Credit Party to pay rent at any leased location where Inventory is located, which failure continues for more than ten (10) days following the day on which such payment rent is due and payable. Immediately following the occurrence thereof, the Credit Parties shall deliver to the Administrative Agent, in form and substance acceptable to the Administrative Agent and with such supporting detail, documentation and information as the Administrative Agent shall reasonably request regarding any changes to standard cost of any Eligible On-Hand Finished Goods Inventory, Eligible In-Transit Finished Goods Inventory or Eligible Raw Materials Inventory, including without limitation, changes to better reflect the actual cost of such Inventory. For the avoidance of doubt, any changes to the calculations of such standard cost and/or methodology for valuing any such Eligible Inventory shall not take effect the "Cost" of such Eligible Inventory for the purposes of calculating the Borrowing Base unless such changes are acceptable to the Administrative Agent (subject to Section 10.18).

(h) Notification of Additional Intellectual Property Rights. Within thirty (30) days of the end of each Fiscal Quarter, the Credit Parties will notify the Administrative Agent in writing of any patents, patent applications, patent application disclosures filed with any patent office during such Fiscal Quarter, registered copyrights or mask works registered during such Fiscal Quarter, applications for registration of copyrights or mask works filed during such Fiscal Quarter and trademark and service mark registrations during such Fiscal Quarter, and trademark and service mark registration applications filed during such Fiscal Quarter, all of the foregoing whether a foreign or United States right, to the extent not listed on the Perfection Certificate most recently delivered to the Administrative Agent in accordance with this Agreement.

(i) Environmental Events. The Credit Parties will promptly give notice to the Administrative Agent and each Lender (a) of any violation of any Environmental Law that any Credit Party reports in writing or is reportable by such Person in writing (or for which any written report supplemental to any oral report is made) to any Governmental Authority and (b) upon any member of Senior Management of any Credit Party obtaining knowledge thereof, of any inquiry, proceeding, investigation, or other action, including a notice from any agency of potential Environmental Liability, of any Governmental Authority that, in the case of clauses (a) or (b) above, could reasonably be expected to result in a Material Adverse Effect.

(j) Prepayment Events. Promptly following the occurrence of any event for which the Borrowers are required to make a prepayment under Sections 2.05(c) through (f), together with all supporting information reasonably requested by the Administrative Agent.

(k) Change in CEO or CFO. The Credit Parties shall provide to the Administrative Agent prompt written notice of any change in any Credit Party's chief executive officer or chief financial officer.

(l) Labor Relations. The Credit Parties shall provide to the Administrative Agent prompt written notice of any collective bargaining agreement or other labor contract to which a Credit Party becomes a party, or the application for the certification of a collective bargaining agent.

(m) Fundamental Changes. The Credit Parties shall provide to the Administrative Agent promptly written notice of the occurrence of any event described in Section 7.05(a) and Section 7.05(b)(v).

Delivery by the Credit Parties to the Administrative Agent of any and all notices required to be delivered to the Lenders as herein required shall be deemed made upon receipt of such notices by the Administrative Agent.

**6.06 Legal Existence; Maintenance of Properties.**

(a) Except as permitted by Section 7.05, each Credit Party will do all things necessary to (i) maintain in full force and effect its legal existence and good standing under the laws of its jurisdiction of organization or incorporation, (ii) maintain its qualification to do business in each state or other jurisdiction in which the failure to do so would result in a Material Adverse Effect, and (iii) maintain all of its rights and franchises, except where the failure to maintain such right or franchise would not result in a Material Adverse Effect.

(b) Each Credit Party (i) will cause all of its properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment (ii) will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Credit Parties may be necessary so that the business may carried on in the ordinary course, and (iii) will continue to engage in the line of businesses conducted by them on the Closing Date; provided that nothing in this Section 6.06(b) shall prevent any Credit Party from discontinuing the operation and maintenance of any of its properties if such discontinuance is permitted by Section 7.05(b).

**6.07 Insurance**. Each Credit Party will maintain with financially sound and reputable insurers insurance with respect to its material properties and business against such casualties and contingencies as shall be in accordance with the general practices of businesses engaged in similar activities in similar geographic areas and in amounts, containing such terms, in such forms and for such periods as may be commercially reasonable and in accordance with the terms of the Security Documents. Such policies of insurance shall name the Administrative Agent as an additional insured or lender's loss payee, as applicable and provide for not less than 30 days' prior notice (or not less than 10 days' in the case of the non-payment of premium) to the Administrative Agent of termination, lapse or cancellation of such insurance.

**6.08 Taxes**. Each Credit Party will (a) duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all Taxes, assessments and other governmental charges imposed upon it and its real properties, sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies that if unpaid might by law become a Lien or charge upon any of its property; provided that any such Taxes, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall be currently contested in good faith by appropriate proceedings and such Credit Party shall have set aside on its books adequate reserves in accordance with GAAP with respect thereto; and provided further that the Credit Parties will pay all such Taxes, assessments, charges, levies or claims forthwith upon the commencement of proceedings to foreclose or otherwise enforce any Lien that may have attached as security therefor, (b) will withhold from each payment to be made to any of its past or present employees, officers or directors, and to any non-resident of the country in which it is a resident, the amount of all Taxes and all other deductions or withholdings required to be withheld therefrom and pay the same to the proper taxing authority within the time required under any applicable law and (c) collect from all Persons the amount of all Taxes required to be collected from them and remit the same to the proper taxing authority within the time required under any applicable law. Each Credit Party shall file or cause to be filed all federal, state, local and foreign income tax returns, and all other tax returns, reports, and declarations required by any jurisdiction to which it is subject as required by applicable Law.

**6.09 Compliance with Laws, Contracts, Licenses, Permits; Leaseholds and Payment of Obligations Generally.**

(a) Compliance with Laws, Contracts, Licenses and Permits. Each of the Credit Parties will comply with (i) the applicable Laws wherever its business is conducted, including, without limitation all Environmental Laws, (ii) the provisions of its Governing Documents, (iii) all agreements and instruments by which it or any of its properties may be bound, and (iv) all applicable decrees, orders, and judgments, provided, that in each case, such compliance shall be required by this Agreement only where noncompliance with this Section 6.09(a)(i)-(iv) would result in a Material Adverse Effect. If any authorization, consent, approval, permit or license (including, without limitation, Pharmaceutical Licenses) from any Governmental Authority or any central bank or other fiscal or monetary authority shall become necessary or required in order that any Credit Party may fulfill any of its obligations hereunder or any of the other Loan Documents to which such Credit Party is a party or to conduct its business in any jurisdiction, each Credit Party will promptly take or cause to be taken all commercially reasonable steps within the power of such Credit Party to obtain such authorization, consent, approval, permit or license, and upon request of the Administrative Agent, to furnish the Administrative Agent and the Lenders with evidence thereof. In the event a Credit Party is unsuccessful in obtaining such authorization, consent, approval, permit or license, the Administrative Agent may, without limiting the generality of its discretionary rights with respect to Reserves, impose Reserves with respect to any Collateral held by such Person which may be affected by such failure to obtain such authorization, consent, approval, permit or license.

(b) Compliance with Terms of Leaseholds. Each Credit Party will make all payments and otherwise perform all material obligations in respect of all leases of real property to which such Credit Party is a party within any grace period provided therefor under such lease, notify the Administrative Agent of any default by any party with respect to such leases and cooperate with the Administrative Agent in all respects to cure any such default by a Credit Party, and cause each of its Subsidiaries to do so, except, in any case, where the failure to do so either individually or in the aggregate, could not be reasonably likely to have a Material Adverse Effect.

(c) Payment of Obligations Generally. Pay and discharge as the same shall become due and payable, all its other obligations and liabilities (except to the extent prohibited by Article VII), including (a) all lawful claims which, if unpaid, would by law become a Lien (other than a Permitted Lien) upon the Collateral or otherwise could reasonably be expected to result in a Material Adverse Effect and (b) all Indebtedness, as and when due and payable, but subject to any subordination provisions or intercreditor arrangements contained in any instrument or agreement evidencing such Indebtedness.

**6.10 Physical Inventories**. The Credit Parties, at their own expense, shall cause not less than two (2) physical inventories to be undertaken in each twelve (12) month period thereafter, conducted by such inventory takers as are reasonably satisfactory to the Administrative Agent and following such methodology as is consistent with the methodology used in the immediately preceding inventory or as otherwise may be satisfactory to the Administrative Agent. The Administrative Agent and the Lenders and/or their agents or representatives, at the expense of the Credit Parties, may participate in and/or observe each scheduled physical count of Inventory which is undertaken on behalf of any Credit Party. The Credit Parties, within ten (10) Business Days following the completion of such inventory, shall provide the Administrative Agent with a reconciliation of the results of such inventory (as well as of any other physical inventory undertaken by a Credit Party) and shall post such results to the Credit Parties' stock ledgers and general ledgers, as applicable. If any Event of Default exists and is continuing the Administrative Agent may cause such inventories to be taken as the Administrative Agent determines (each, at the expense of the Credit Parties).

**6.11 Use of Proceeds**. The proceeds of the Loans and Letters of Credit shall be used solely for (i) the repayment of the Borrowers' obligations under the Existing Credit Agreement, (ii) working capital and general corporate purposes subject to the restrictions set forth in this Agreement and (iii) the payment of fees and expenses incurred in connection with the negotiation, execution and delivery of this Agreement and the other Loan Documents entered into on the Closing Date.

**6.12 Covenant to Guarantee Obligations and Give Security.**

(a) Upon the formation or acquisition of any new direct or indirect Subsidiary after the Closing Date (other than any CFC or a CFC Holding Company) by any Credit Party, then the Credit Parties shall, at the Credit Parties' expense:

i. within fifteen (15) Business Days after such formation or acquisition, cause such Subsidiary, and cause each direct and indirect parent of such Subsidiary (if it has not already done so and is not an Excluded Subsidiary), to duly execute and deliver to the Administrative Agent a Guarantee guaranteeing the other Credit Parties' obligations under the Loan Documents,

ii. within fifteen (15) Business Days after such formation or acquisition, furnish to the Administrative Agent a description of the real and personal properties of such Subsidiary, in detail reasonably satisfactory to the Administrative Agent,

iii. within fifteen (15) Business Days after such formation or acquisition, cause such Subsidiary and each direct and indirect parent of such Subsidiary (if it has not already done so) to duly execute and deliver to the Administrative Agent Security Documents, as specified by and in form and substance reasonably satisfactory to the Administrative Agent, securing payment of all the Obligations of such Subsidiary or such parent, as the case may be, under the Loan Documents and constituting Liens on all such real and personal properties,

iv. within fifteen (15) Business Days after such formation or acquisition, cause such Subsidiary and each direct and indirect parent of such Subsidiary (if it has not already done so) to take whatever action (including the recording of Mortgages, the filing of Uniform Commercial Code financing statements, the giving of notices and the endorsement of notices on title documents or such other actions as are necessary or desirable under any applicable Law) may be necessary or advisable in the reasonable opinion of the Administrative Agent to vest in the Administrative Agent (or in any representative of the Administrative Agent designated by it) valid and subsisting Liens on the properties purported to be subject to the Security Documents delivered pursuant to this Section 6.12, enforceable against all third parties in accordance with their terms,

v. within fifteen (15) Business Days after such formation or acquisition, deliver to the Administrative Agent, upon the request of the Administrative Agent in its sole discretion, a signed copy of a favorable opinion, addressed to the Administrative Agent and the other Secured Parties, of counsel for the Credit Parties reasonably acceptable to the Administrative Agent as to the matters contained in clauses (i), (iii) and (iv) above, and as to such other matters as the Administrative Agent may reasonably request, and

vi. as promptly as practicable after such formation or acquisition, deliver, upon the request of the Administrative Agent in its sole discretion, to the Administrative Agent with respect to each parcel of real property owned or held by the entity that is the subject of such formation or acquisition and that is to be subject to a Mortgage as provided in this Section 6.12, title reports, surveys and to the extent in the Credit Party's possession or to the extent required by applicable

Law, engineering, soils and other reports, and environmental assessment reports, each in scope, form and substance reasonably satisfactory to the Administrative Agent, provided, however, that to the extent that any Credit Party or any of its Subsidiaries shall have otherwise received any of the foregoing items with respect to such real property, such items shall, promptly after the receipt thereof, be delivered to the Administrative Agent.

(b) Upon the acquisition of any property by any Credit Party following the Closing Date, if such property, in the judgment of the Administrative Agent, shall not already be subject to a perfected first priority security interest in favor of the Administrative Agent for the benefit of the Secured Parties, then the Credit Parties shall, at the Credit Parties' expense (provided that notwithstanding anything contained in this Section 6.12(b), no more than 65% of the voting Capital Stock and 100% of the non-voting Capital Stock of any Excluded Subsidiary formed or acquired by any Credit Party shall be required to be subject to the security interest of the Administrative Agent):

i. within fifteen (15) Business Days after such acquisition, furnish to the Administrative Agent a description of the property so acquired in detail reasonably satisfactory to the Administrative Agent,

ii. within fifteen (15) Business Days after such acquisition, cause the applicable Credit Party to duly execute and deliver to the Administrative Agent Security Documents (to the extent not already delivered), as specified by and in form and substance reasonably satisfactory to the Administrative Agent, securing payment of all the Obligations of the applicable Credit Party under the Loan Documents and constituting Liens on all such properties,

iii. within fifteen (15) Business Days after such acquisition, cause the applicable Credit Party to take whatever action (including the recording of Mortgages, the filing of Uniform Commercial Code financing statements, the giving of notices and the endorsement of notices on title documents or such action necessary or desirable under applicable Law) may be necessary or advisable in the opinion of the Administrative Agent to vest in the Administrative Agent (or in any representative of the Administrative Agent designated by it) valid and subsisting Liens on such property, enforceable against all third parties,

iv. within fifteen (15) Business Days after such acquisition, deliver to the Administrative Agent, upon the request of the Administrative Agent in its sole discretion, a signed copy of a favorable opinion, addressed to the Administrative Agent and the other Secured Parties, of counsel for the Credit Parties reasonably acceptable to the Administrative Agent as to the matters contained in clauses (ii) and (iii) above and as to such other matters as the Administrative Agent may reasonably request, and

v. as promptly as practicable after any acquisition of real property, deliver, upon the request of the Administrative Agent in its sole discretion, to the Administrative Agent with respect to such real property, flood zone determination forms, flood insurance certificates, title reports, surveys and engineering, soils and other reports, and environmental assessment reports, each in scope, form and substance satisfactory to the Administrative Agent, provided, however, that to the extent that any Credit Party or any of its Subsidiaries shall have otherwise received any of the foregoing items with respect to such real property, such items shall, promptly after the receipt thereof, be delivered to the Administrative Agent;

(c) At any time upon request of the Administrative Agent, promptly execute and deliver any and all further instruments and documents and take all such other action as the Administrative Agent may deem necessary or desirable in obtaining the full benefits of, or (as applicable) in perfecting and preserving the Liens of, such Security Documents.

**6.13 Certain Changes**. Each Credit Party shall notify the Administrative Agent, in writing, not less than thirty (30) days' prior to (i) any change in its chief executive office, name or the type of its organization, jurisdiction or organization, organizational identification number, or tax identification number, (ii) the acquisition of any Real Estate pursuant to Section 7.05 or (iii) the acquisition of any material asset to the extent located in any jurisdiction other than those jurisdictions located in the United States of America or those jurisdictions specified on such Credit Party's Perfection Certificate.

**6.14 Conduct of Business**. Except as permitted by Section 7.05, each Credit Party will continue to engage primarily in the businesses engaged in by such Credit Party on the Closing Date, or such businesses as are reasonably related to the businesses engaged in by such Credit Party on the Closing Date.

**6.15 Further Assurances**. Each Credit Party will cooperate with the Lenders and the Administrative Agent and execute such further instruments and documents as the Lenders or the Administrative Agent shall reasonably request to carry out to their satisfaction the transactions contemplated by this Agreement and the other Loan Documents.

**6.16 Inspections; Collateral Reports; Appraisals, etc.**

(a) General. Each Credit Party shall permit the Lenders and the Administrative Agent, at the Credit Parties' expense, to visit and inspect any of the properties of any Credit Party accompanied by a representative of the Credit Party to the extent such representative does not interfere with such inspection, to examine the books of account of such Credit Party (and to make copies thereof and extracts therefrom), and to discuss the affairs, finances and accounts of such Credit Party with, and to be advised as to the same by, its and their officers, in each case, except when an Event of Default shall have occurred and be continuing, at such reasonable times and intervals and with prior or contemporaneous notice as the Administrative Agent or any Lender may reasonably request.

(b) Collateral Reports. From time to time upon the request of the Administrative Agent or the Required Lenders, at the Credit Parties' expense, the Credit Parties will obtain and deliver to the Administrative Agent and the Lenders, or, if the Administrative Agent so elects, will cooperate with the Administrative Agent in the Administrative Agent's obtaining, a report of an independent collateral auditor reasonably satisfactory to the Administrative Agent (which may be affiliated with one of the Lenders) with respect to the Collateral, which report shall indicate whether or not the information set forth in the Borrowing Base Certificates delivered to the Administrative Agent and the Lenders are accurate and complete in all material respects based upon a review by such auditors of the Receivables (including verification with respect to the amount, aging, identity and credit of the respective account debtors and the billing practices of the applicable Credit Parties), Inventory and Equipment (including, in each case, verification as to the value, location and respective types) and other Collateral; provided that the Credit Parties shall be required to incur the costs and expenses of no more than (i) two (2) such collateral value reports in any calendar year if no Reporting Monitoring Event shall have occurred during such calendar year or (ii) three (3) such collateral value reports in any calendar year if a Reporting Monitoring Event shall have occurred during such calendar year and (iii) an unlimited number of times following the occurrence and during the continuance of an Event of Default.

(c) Appraisals. From time to time upon the request of the Administrative Agent or the Required Lenders, at the Credit Parties' expense, the Credit Parties shall obtain and deliver to the Administrative Agent and the Lenders appraisal reports in form and substance and from Appraisers satisfactory to the Administrative Agent, including, without limitation of scope, among other things, the then current fair market, Net Orderly Liquidation Value and forced liquidation values of all or any portion of the Inventory, Equipment or other Collateral owned by the Credit Parties and describing changes to cost calculation methodology; provided that the Credit Parties shall not be required to incur the costs and expenses of more than (i) two (2) appraisals as to Inventory per calendar year and more than one (1) appraisal as to Equipment per calendar year (and not calculated on a combined basis) if no Reporting Monitoring Event shall have occurred during such calendar year or (ii) three (3) appraisals as to Inventory per calendar year and more than one (1) appraisal as to Equipment per calendar year (and not calculated on a combined basis) if a Reporting Monitoring Event shall have occurred during such calendar year and (iii) an unlimited number of times following the occurrence and during the continuance of an Event of Default.

(d) Communications with Accountants. Each Credit Party authorizes the Administrative Agent and the Lenders to communicate directly with such Credit Party's independent certified public accountants and authorizes such accountants to disclose to the Administrative Agent and the Lenders any and all financial statements and other supporting financial documents and schedules including copies of any management letter with respect to the business, financial condition and other affairs of such Credit Party. At the request of the Administrative Agent or any Lender, each Credit Party shall deliver a letter addressed to such accountants authorizing them to communicate directly with the Administrative Agent and the Lenders in accordance with the foregoing.

**6.17 Bank Accounts.**

(a) General. The Credit Parties shall (i) (a) instruct all commercial account debtors of the Credit Parties, pursuant to notices of assignment and instruction letters, in each case, in form and substance reasonably satisfactory to the Administrative Agent, to remit all cash proceeds of Receivables, checks and other items of payment directly to, and (b) other than with respect to cash and checks deposited in accounts described and subject to clause (b) below, cause, on each Business Day, all cash and checks received by the Credit Parties to be deposited directly to concentration depository accounts and/or lockbox accounts with East West Bank or other financial institutions which have entered into Agency Account Agreements in form and substance reasonably satisfactory to the Administrative Agent ("Concentration Accounts"), and (ii) other than with respect to funds deposited in accounts described and subject to clause (b) below, at all times ensure that all other cash, cash proceeds, checks and other items of payment (including (A) proceeds of any Collateral or any Net Cash Proceeds in connection with events or transactions described in Sections 2.05(c) through (f) and (B) all collections from account debtors in respect of Eligible Receivables) be immediately deposited directly into a Concentration Account or the Collection Account. Other than with respect to funds deposited in accounts described and subject to clause (b) below, each depository institution with a Concentration Account subject to an Agency Account Agreement shall be required to cause all funds held in each such Concentration Account to be transferred no less frequently than once each day to, and only to a Concentration Account designated by, and in the control of, the Administrative Agent (the "Collection Account"), which proceeds therein shall be applied to the payment of the Obligations in accordance with Sections 2.07(c) and (d). All funds deposited in accounts described and subject to clause (b) below, shall be transferred by the Borrowers no less frequently than once each day to the Collection Account. The Administrative Agent agrees that it will not provide an "Access Termination Notice" (as defined in any Agency Account Agreement) prior to the occurrence and continuance of an Event of Default.

(b) Other Accounts. The Credit Parties (i) shall cause their primary deposit accounts (including their primary operating account(s)) to be maintained at East West Bank and (ii) shall cause all other deposit accounts, all securities accounts and all commodities accounts (other than Excluded Accounts) of the Credit Parties to be subject to Agency Account Agreements, unless the Administrative Agent shall have consented otherwise with respect to accounts subject to so called "zba" arrangements which shall be required to operate such that all funds held in such zba accounts shall be automatically transferred to the Borrowers' Concentration Account at East West Bank on a daily basis.

**6.18 Lien Waivers**. Each Credit Party shall use commercially reasonable efforts to obtain a Lien Waiver from each (a) mortgagee or beneficiary under a mortgage or deed of trust with respect to all real property owned by such Credit Party, (b) each lessor of all leased property leased by such Credit Party and (c) each warehouseman, processor, shipper, repairman, mechanic, bailee or other similar Person in possession of any other Collateral with respect to (x) each location in Florida, Utah, Idaho, Texas, Indiana and such other states as Agent may determine, and (ii) any other distribution center, warehouse, plant, factory, or other similar location where any Collateral is stored or located, which agreement shall be reasonably satisfactory in form and substance to the Administrative Agent. In the event a Credit Party is unsuccessful in obtaining such Lien Waivers, the Administrative Agent may, without limiting the

generality of its discretionary rights with respect to Reserves, impose Reserves with respect to such location or with respect to any Collateral held by such Person. To the extent any Credit Party enters into a lease following the Closing Date for a location that is a chief executive office, distribution center, warehouse, shipping center, plant, factory or similar location, such Credit Party shall, prior to the entry into such lease, commercially reasonable efforts to obtain a Lien Waiver from each lessor of leased property with respect thereto.

**6.19 Cycle Counts.** The Credit Parties shall maintain policies for cycle counts of their Inventory subject to frequency, scope and procedures reasonably acceptable to the Administrative Agent.

**6.20 Internal Controls**. The Credit Parties shall maintain and ensure compliance with policies reasonably acceptable to the Administrative Agent requiring the approval of multiple members from among the Senior Management and/or Financial Officers for the payment of expenses or issuance of disbursements in excess of $50,000 (for the avoidance of doubt, policies excepting ordinary course inventory purchases and recurring ordinary course payments for rent, payroll (and other employee wage and benefit payments), insurance and taxes shall be acceptable to the Administrative Agent).

**6.21 Expiration Reportin**g. The Credit Parties shall maintain the system implemented by the Credit Parties to track expiration dates and "best if used by" dates for their manufactured products in substantially the manner maintained as of the Closing Date and shall not materially modify such system without the prior written consent of the Administrative Agent.

## ARTICLE VII
## NEGATIVE COVENANTS

Each Credit Party signatory hereto covenants and agrees for itself and on behalf of its Subsidiaries that, so long as any Lender shall have any Commitment hereunder or any Loan or other Obligation remains outstanding:

**7.01** Investments. None of the Credit Parties nor any of its Subsidiaries will make any Investment in any Person, except for Investments which consist of:

(a) Investments comprised of notes payable, or stock or other securities issued by account debtors to such Credit Parties pursuant to negotiated agreements with respect to settlement of such account debtor's accounts in the ordinary course of business;

(b) Capital Stock (i) issued and outstanding on the Closing Date in its Subsidiaries in existence on the Closing Date and (ii) issued following the Closing Date by a Credit Party to another Credit Party;

(c) Investments consisting of (i) intercompany loans by and among the Credit Parties so long as the Administrative Agent has a first priority, perfected Lien in such intercompany loans and has received the Intercompany Note evidencing such intercompany loans, together with transfer powers executed in blank in connection therewith, (ii) intercompany loans made by any Subsidiary to any Credit Party on terms and conditions acceptable to the Administrative Agent, including the Administrative Agent's receipt of a Subordination Agreement, and (iii) intercompany loans by a Credit Party to any Subsidiary that is not a Credit Party not to exceed $250,000 in the aggregate outstanding at any time;

(d) Investments by a Subsidiary that is not a Credit Party in another Subsidiary that is also not a Credit Party;

(e) Investments consisting of any Credit Party or any Subsidiary Guaranteeing (i) the Obligations of the Credit Parties and (ii) other Indebtedness if such Credit Party or such Subsidiary would be permitted to directly incur such Indebtedness under Section 7.02;

(f) Investments in cash or Cash Equivalents;

(g) Investments consisting of loans to its respective employees on an arm's-length basis in the ordinary course of business consistent with past practices for travel expenses, relocation costs and similar purposes up to a maximum of $50,000 per employee at any one time outstanding and $250,000 in the aggregate at any one time outstanding;

(h) Permitted Acquisitions; and

(i) Investments existing as of the Closing Date and set forth on Schedule 7.01.

**7.02 Restrictions on Indebtedness**. None of the Credit Parties nor any of its Subsidiaries will incur, assume, guarantee or be or remain liable, contingently or otherwise, with respect to any Indebtedness other than:

(a) Indebtedness secured by purchase money security interests and Capitalized Leases permitted by Section 7.03(a)(x) and any refinancing thereof or amendments or modifications thereof that do not have the effect of increasing the principal amount thereof, changing the amortization thereof (other than to extend the same), accelerating the maturity date thereof , decreasing the weighted average life thereof or increasing the cash pay interest thereof; provided, that the aggregate amount of such Indebtedness described in this subclause (a) shall not exceed $2,000,000;

(b) Indebtedness of the Credit Parties consisting of the Obligations under the Loan Documents;

(c) [Reserved];

(d) Indebtedness of any Credit Party outstanding as of the Closing Date and reflected on Schedule 7.02 hereto and any refinancing thereof or amendments or modifications thereof that do not have the effect of increasing the principal amount thereof, changing the amortization thereof (other than to extend the same), decreasing the weighted average life thereof, accelerating the maturity date thereof or increasing the cash pay interest thereof and that are otherwise on terms and conditions no less favorable as a whole to such Credit Party, the Administrative Agent or any other Secured Party, as determined by the Administrative Agent than the terms of the Indebtedness being refinanced, amended or modified;

(e) unsecured Subordinated Debt incurred after the Closing Date on terms and conditions acceptable to the Administrative Agent in its sole discretion, provided that (i) the maturity date of such Subordinated Debt shall be at least one hundred and eighty (180) days following the Maturity Date (after taking in account any extension thereof) and (ii) the aggregate amount of such Subordinated Debt shall not exceed $5,000,000;

(f) Indebtedness consisting of any Investment permitted by Sections 7.01(c), (d), (e) or (g);

(g) Guarantees by (i) any Credit Party of Indebtedness of any other Credit Party permitted by this Section 7.02, (ii) any Subsidiary that is not a Credit Party of any Indebtedness of any Credit Party permitted by this Section 7.02 and (iii) any Subsidiary that is not a Credit Party of any Indebtedness of any other Subsidiary that is also not a Credit Party permitted by this Section 7.02;

(h) Indebtedness consisting of contingent liabilities under surety bonds and similar instruments incurred in the ordinary course of business; and

(i) Indebtedness in respect of netting services, automatic clearing house arrangements, treasury management services and similar arrangements in the ordinary course of business in each case in connection with deposit and securities account;

(j) Indebtedness of the Mark and Chappell Entities constituting earn-out obligations under the Share Purchase Agreement dated June 21, 2013, by and among M&C USA, LLC and the Sellers (as defined therein), as in effect as of the date hereof;

(k) other Indebtedness not to exceed $1,000,000 in the aggregate outstanding at any time.

**7.03 Restrictions on Liens.**

(a) Permitted Liens. None of the Credit Parties nor any Subsidiary of any Credit Party will create or incur or suffer to be created or incurred or to exist any Lien upon any of its property or assets of any character whether now owned or hereafter acquired, or upon the income or profits therefrom other than:

i. to the extent constituting a Lien, non-exclusive licenses of Intellectual Property (other than to the extent such licenses would restrict the ability of the Credit Party or the Administrative Agent to sell or license the subject Intellectual Property or impair the security interests granted to the Administrative Agent) in the ordinary course of business not interfering with the business of any Credit Party;

ii. leases or subleases of real property granted to third parties in the ordinary course of business not interfering with the business of any Credit Party or its Subsidiaries, so long as any such third party shall have entered into a non-disturbance agreement in form and substance satisfactory to the Administrative Agent;

iii. Liens of landlords, carriers, warehousemen, mechanics and materialmen and other like Liens created in the ordinary course of business, for amounts not yet due or which are being contested in good faith by appropriate proceedings and as to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP;

iv. pledges or deposits made in connection with worker's compensation, employee benefit plans, unemployment or other insurance, old age pensions, or other Social Security benefits, and good faith deposits in connection with tenders, contracts, bids, statutory obligations or leases to which it is a party or deposits to secure, or in lieu of, surety, penalty or appeal bonds, performance bonds, letters of credit and other similar obligations or arising as a result of progress payments under government contracts or contracts with public utilities, in each case, in the ordinary course of business;

v. minor defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to similar properties which do not materially interfere with the present or proposed use of the Credit Party's real property;

vi. Liens in favor of the Administrative Agent and the other Secured Parties securing the Obligations;

vii. Liens in existence on the Closing Date and listed on Schedule 7.03; provided that (i) the Lien does not extend to any additional property and (ii) to the extent such amount secured constitutes Indebtedness, such Indebtedness is permitted by Section 7.02(e);

viii. Liens created after the date hereof by conditional sale or other title retention agreements (including Capitalized Leases and pursuant to sale-leaseback transactions permitted by this Agreement) or in connection with purchase money Indebtedness with respect to equipment and fixed assets acquired by any Credit Party, involving the incurrence of an aggregate amount of purchase money Indebtedness and obligations with respect to conditional sale or title retention agreements of not more than $2,000,000 outstanding at any one time for all such Liens (provided that such Liens attach only to the assets subject to such purchase money debt and such Indebtedness is incurred within one hundred twenty (120) days following such purchase and does not exceed 100% of the purchase price of the subject assets);

ix. Liens securing judgments for the payment of money not constituting an Event of Default so long as the enforcement of such Lien has been effectively stayed and so long as such Lien is junior to the Lien in favor of the Administrative Agent granted under the Security Documents;

x. Liens in favor of a banking institution arising as a matter of law encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking industry to secure usual and customary fees, returned items and other like exposure with respect to such account relating to deposit or securities accounts maintained by the Borrowers or any of their Subsidiaries with such banking institution; and

xi. other Liens not permitted above securing Indebtedness or other obligations not to exceed $500,000 in the aggregate at any time outstanding; provided that no such Lien shall at any time attach to any component of the Borrowing Base).

(b) Restrictions on Negative Pledges and Upstream Limitations. No Credit Party shall nor shall any Subsidiary (a) enter into or permit to exist any arrangement or agreement (excluding this Agreement and the other Loan Documents) which directly or indirectly prohibits any Credit Party or any Subsidiary from creating, assuming or incurring any Lien upon its properties, revenues or assets whether now owned or hereafter acquired, or from making Guarantees of the Obligations, or (b) enter into any agreement, contract or arrangement (excluding this Agreement and the other Loan Documents) restricting the ability of any Subsidiary of any Credit Party to pay or make dividends or distributions in cash or kind to any Credit Party, to make loans, advances or other payments of whatsoever nature to any Credit Party, or to make transfers or distributions of all or any part of its assets to any Credit Party in each case other than customary anti-assignment provisions contained in leases, licensing agreement and other agreements restricting the assignment thereof entered into by any Credit Party or any Subsidiary in the ordinary course of its business, but only if such anti-assignment provisions do not impair the perfection or enforceability of the security interests granted to the Administrative Agent other than in the case of clauses (a) and (b) above.

**7.04 Restricted Payments; Prepayments.**

(a) Restricted Payments. No Credit Party nor any Subsidiary shall make any Restricted Payment, except (a) Restricted Payments to a Credit Party; (b) Restricted Payments solely in shares of common stock or warrants to purchase common stock so long as no Change of Control would result therefrom, (c) Restricted Payments in the form of splits of Capital Stock or reclassifications of Capital stock into additional shares of common stock, (d) repurchases of Capital Stock in any Credit Party or any Subsidiary deemed to occur upon “cashless” exercise of stock options or warrants, (e) any Permitted Tax Distributions by Parent (and any distribution to Parent by any other Credit Party to allow Parent to make Permitted Tax Distributions), (f) so long as no Event of Default shall have occurred or be continuing or would result therefrom, payments by Borrowers to Parent to enable Parent to purchase, redeem, retire or otherwise acquire shares of its

Capital Stock (or options or rights to acquire its Capital Stock) held by current or former officers, directors or employees of any Credit Party, in an aggregate cash amount not exceeding $250,000 during any Fiscal Year for all such purchases, redemptions, retirements and acquisitions during any Fiscal Year, (g) Restricted Payments paid with the proceeds of a Qualifying IPO, and (h) Restricted Payments, so long as the Restricted Payment Conditions shall be satisfied.

(b) Payments. No Credit Party nor any Subsidiary shall (i) pay, prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of, any Indebtedness other than with respect to any Subordinated Debt, those payments expressly permitted to be made under the Subordination Agreement applicable thereto, (ii) make any payments in respect of earn-out obligations of the type described in Section 7.02(j) unless each of the following conditions is satisfied: (A) such proposed earn-out payments do not exceed two million five-hundred thousand Euros (€2,500,000) in the aggregate, (B) no Event of Default has occurred and is continuing or would result therefrom (C) the Indebtedness creating the payment obligation is non-recourse to any Credit Party and (D) the Borrowers shall have delivered a certificate to the Administrative Agent, prior to any such proposed earn-out payment, certifying (x) the average daily Overall Excess Availability for the period of thirty consecutive days prior to such proposed earn-out payment, determined on a pro forma basis as if such proposed earn-out payment had occurred on the first day of such thirty day period, is not less than $3,000,000, (y) the Overall Excess Availability as of the date of incurrence of such proposed earn-out payment, determined on a pro forma basis as if such proposed earn-out payment had already occurred, is not less than $3,000,000 and (z) the Borrowers shall be in compliance with Sections 7.13 and 7.14, determined on a pro forma basis after giving effect to such proposed earn-out payment, and (iii) make any payment in respect of the Term Loans to any Term Loan Lender, provided that the Borrowers may make such payment so long as the Borrowers satisfy the conditions set forth in Section 2.05(a)(ii).

**7.05 Merger, Consolidation and Disposition of Assets.**

(a) Mergers and Acquisitions. None of the Credit Parties nor any Subsidiary will become a party to any merger, dissolution, liquidation or consolidation (other than any merger, dissolution, liquidation or consolidation occurring in connection with the consummation of a Qualifying IPO), except for, so long as no Default or Event of Default is continuing or would result therefrom:

i. Permitted Acquisitions;

ii. the merger or consolidation of one or more of the Credit Parties with and into a Credit Party (other than Parent); provided that such Credit Party shall be the surviving entity); and

iii. the merger or consolidation of any Subsidiary that is not a Credit Party with any other Subsidiary that is not a Credit Party.

(b) Disposition of Assets. No Credit Party nor any Subsidiary shall dissolve, liquidate or sell, transfer, convey, assign or otherwise dispose of any of its properties or other assets, including any Capital Stock of any of its Subsidiary (whether in a public or a private offering or otherwise), any of its Receivables or any of its other Investments, other than:

i. the sale of Inventory in the ordinary course of business;

ii. dispositions of assets among Credit Parties (other than Capital Stock of Subsidiaries);

iii. dispositions of obsolete or worn out Equipment or fixtures no longer useful in the business, whether now owned or hereafter acquired, in the ordinary course of business;

iv. termination of a lease of real or personal property that is not necessary for the ordinary course of business, does not constitute assets included in the Borrowing Base, does not relate to a location containing Borrowing Base assets, could not reasonably be expected to have a Material Adverse Effect and does not result from a Credit Party's default;

v. so long as no Default or Event of Default is continuing or would result therefrom, sales of Equipment now owned or hereafter acquired by any Credit Party, the fair market value or book value of which shall not exceed $250,000 in the aggregate, provided, that (i) at the time of such disposition no Default or Event of Default shall exist or shall result from such disposition and (ii) the Borrowers shall have delivered a certificate to the Administrative Agent identifying such equipment to be sold and certifying that after giving effect to such sale or other disposition Overall Excess Availability shall not be less than $0;

vi. non-exclusive licenses of Intellectual Property in the ordinary course of business (other than to the extent such licenses would restrict the ability of the Credit Party or the Administrative Agent to sell or license the subject Intellectual Property or impair the security interests granted to the Administrative Agent); and

vii. any sale, transfer or other disposition of all Capital Stock of the Mark and Chappell Entities, or all or substantially all of the assets of the Mark and Chappell Entities; provided, that prior to and after giving effect to any such transaction, no Default or Event of Default shall have occurred and be continuing.

**7.06 Sale and Leaseback**. No Credit Party nor any Subsidiary shall engage in any sale-leaseback or similar transaction or incur any Synthetic Lease Obligations involving any of its assets, except sale-leaseback transactions consummated prior to the Closing Date and described on Schedule 7.06.

**7.07 Accounting Changes; Change of Fiscal Year**. No Credit Party nor any Subsidiary will make any change in (i) accounting policies or reporting practices, except as permitted by GAAP or (ii) their Fiscal Year (except to make the Fiscal Year of a Subsidiary end on December 31).

**7.08 Transactions with Affiliates**. No Credit Party nor any Subsidiary will engage in any transaction with any Affiliate or its or any of its Affiliate's employees, officers or directors, whether or not in the ordinary course of business, including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any such Affiliate, on terms less favorable to such Credit Party or Subsidiary or Affiliate than would have been obtainable on an arm's-length basis in the ordinary course of business, provided, that the sum of all such transactions described in this Section 7.08 excluding Existing Affiliate Transactions shall not exceed $500,000 and, provided further, that the foregoing restriction shall not apply to (i) transactions solely among the Credit Parties otherwise permitted hereunder, (ii) transactions solely among Subsidiaries that are not Credit Parties otherwise permitted hereunder and (iii) other than in connection with the consummation of a Qualifying IPO, the issuance by any Credit Party or any of its Subsidiaries of any Capital Stock to any Affiliate so long as no Change of Control shall result therefrom. All such affiliate transactions described in this Section 7.08 and having occurred on or before the Closing Date are listed on Schedule 7.08 (such affiliate transactions, "Existing Affiliate Transactions").

**7.09 No Speculative Transactions**. No Credit Party shall engage in any transaction involving commodity options, futures contracts or similar transactions, except for non-speculative hedges of risks in the ordinary course of business.

**7.10 Change in Terms of Governing Documents; Material Agreements**. Other than in connection with the consummation of a Qualifying IPO, no Credit Party nor any Subsidiary shall change or amend, modify, supplement or waive the terms of any (a) of its Governing Documents or any Material Agreements, except amendments, modifications, supplements or waivers that do not adversely affect the rights or interests of the Administrative Agent or the Lenders (the Credit Parties acknowledge and agree that any such change, modification, or supplement to Section 4.1(b) of that certain Fifth Amended and Restated Limited Liability Company Agreement of True Science Delaware Holdings, LLC shall be materially adverse to the rights or interest of the Administrative Agent and the Lenders), or (b) any Subordinated Debt Document, only to the extent permitted by the Subordination Agreement applicable thereto.

**7.11 Change in Nature of Business**. No Credit Party nor any Subsidiary shall engage in any line of business substantially different from those lines of business conducted by such Credit Party on the Closing Date.

**7.12 Margin Regulations**. No Credit Party shall use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

**7.13 Fixed Charge Coverage Ratio**. The Credit Parties shall not permit the Consolidated Fixed Charge Coverage Ratio, determined as of any Financial Test Date, to be less than 1.10 to 1.00.

**7.14 Minimum EBITDA**. The Credit Parties shall not permit Consolidated EBITDA, determined as of any Financial Test Date, for such Reference Period corresponding to such Financial Test Date, to be less than the Minimum Required EBITDA.

**7.15 Sanctions**. The Credit Parties shall not permit any Loan or the proceeds of any Loan, directly or indirectly, to be lent, contributed or otherwise made available to any Subsidiary, joint venture partner or other individual or entity, to fund any activities of or business with any individual or entity, or in any Designated Jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any individual or entity (including any individual or entity participating in the transaction, whether as Lender, Administrative Agent, or otherwise) of Sanctions.

**7.16 Anti-Corruption Laws**. The Credit Parties shall not directly or indirectly use the proceeds of any Credit Extension for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in other jurisdictions.

**7.17 No Pledges of Equity or Receivables.** The Credit Parties shall not permit the Capital Stock of the Borrowers or their Subsidiaries to be pledged to any Person or suffer any Lien to exist on the Capital Stock of the Borrowers or their Subsidiaries, other than in favor of the Administrative Agent. In addition, notwithstanding anything herein or in the Loan Documents to the contrary, the Credit Parties shall not permit or suffer to exist any Lien to be granted on rights to the payment of money evidenced by the contracts set forth on Schedule 7.17 (the "Note Receivable Contracts"). In the event the right to the payment of money evidenced by the Note Receivable Contracts as of the Closing Date is evidenced by any other document, instrument, note or other contract, the Credit Parties shall take all steps reasonably necessary to deliver to the Administrative Agent all necessary endorsements, assignment control agreements, instruments or other documents duly executed and as reasonably requested by the Administrative Agent for the purposes of obtaining and maintaining perfection and control of such Collateral.

**7.18 Holding Company**. Notwithstanding anything to the contrary contained herein, Parent shall not engage in any business or activity or own any assets other than (a) the ownership of all outstanding Capital Stock of PETIQ, (b) maintaining its organizational existence, (c) participating in tax, accounting and other administrative activities as the parent of the consolidated group of companies, including the Credit Parties, (d) the execution and delivery of the Loan Documents to which it is a party and the performance of its obligations thereunder, and (e) activities incidental to the businesses or activities described in clauses (a) through (d) of this Section. This restriction shall apply regardless of any affirmative or negative covenant set forth herein to the contrary.

## ARTICLE VIII
## EVENTS OF DEFAULT AND REMEDIES

**8.01 Events of Default**. Any one or more of the following events shall constitute an event of default (each, an "Event of Default") under this Agreement:

(a) Non-Payment. Any Credit Party shall fail to pay (i) any principal of the Loans when the same shall become due and payable, whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment; or (ii) any interest on the Loans, the fees or other sums due hereunder or under any of the other Loan Documents, within three (3) Business Days after the same shall become due and payable, whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;

(b) Specific Covenants. Any Credit Party shall fail to comply with any of its covenants contained in Sections 6.03, 6.04(a), 6.04(b), 6.04(d), 6.04(f), 6.04(g), 6.04(h), 6.05(a), 6.05(b), 6.05(d), 6.05(e), 6.05(f), 6.05(g), 6.05(k), 6.05(m), 6.06(a), 6.07, 6.10, 6.11, 6.12, 6.14, 6.16, 6.17(a) or Article 7;

(c) Other Defaults. Any Credit Party shall fail (or, to the extent applicable, fail to cause its Subsidiaries) to perform any term, covenant or agreement contained herein or in any of the other Loan Documents (other than those specified elsewhere in this Section 8.01) and such failure continues for thirty (30) days;

(d) Representations and Warranties.

i. Generally. Any representation or warranty of any Credit Party in this Agreement or any of the other Loan Documents or in any other document or instrument delivered pursuant to or in connection with this Agreement shall prove to have been false in any material respect (but without any duplication of any materiality qualifications) upon the date when made or deemed to have been made or repeated;

ii. Borrowing Base Certificates. Without limiting the generality of the foregoing contained in clause (i) above, any information contained in any Borrowing Base Certificate is untrue, incorrect or misleading (other than (i) inadvertent errors not exceeding $50,000 in the aggregate so long as the Administrative Agent receives a corrected Borrowing Base Certificate no later than two (2) Business Days after the receipt of such Borrowing Base Certificates containing such errors, or (ii) errors understating the Borrowing Base);

(e) Inability to Pay Debt; Insolvency Proceedings; Etc. Any Credit Party or any of its Subsidiaries shall make an assignment for the benefit of creditors, or shall petition or apply for the appointment of a trustee or other custodian, liquidator or receiver of such Credit Party or such Subsidiary or of any substantial part of the assets of any Credit Party or such Subsidiary or shall commence any case or other proceeding relating to any Credit Party or such Subsidiary under any Debtor Relief Law, now or hereafter in effect, or shall take any action to authorize or in furtherance of any of the foregoing, or if

any such petition or application (including a bankruptcy application) shall be filed or any such case or other proceeding shall be commenced against any Credit Party or such Subsidiary and such Credit Party or such Subsidiary shall indicate its approval thereof, consent thereto or acquiescence therein or such petition or application shall not have been dismissed or stayed within sixty (60) days following the filing thereof; a decree or order (including a bankruptcy order) is entered appointing any such trustee, custodian, liquidator or receiver or adjudicating any Credit Party or any Subsidiary bankrupt or insolvent, or approving a petition or a bankruptcy application in any such case or other proceeding, or a decree or order (including a bankruptcy order) for relief is entered in respect of any Credit Party or any Subsidiary in an involuntary case under federal bankruptcy laws as now or hereafter constituted;

(f) Judgments. There shall remain in force for more than thirty (30) days, whether or not consecutive, any final judgment against any Credit Party (considered collectively) that exceeds in the aggregate $500,000 which is not covered by insurance policies as to which coverage has been accepted unless such judgment has been discharged, satisfied, bonded or stayed pending appeal;

(g) ERISA Event. An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Credit Parties under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the $500,000, or (ii) any Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the $500,000;

(h) Indebtedness. Any Credit Party shall fail to pay at maturity, or within any applicable period of grace, any obligation for Indebtedness in excess of $500,000, or fail to observe or perform any term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing Indebtedness in excess of $500,000 for such period of time as would permit (assuming the lapse of time and/or giving of appropriate notice if required and assuming such breach has not been cured within the applicable grace period thereunder) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof;

(i) Invalidity of Loan Documents; Etc. If any of the Loan Documents shall be cancelled, terminated, revoked, rescinded or otherwise ceases to be in full force and effect other than in accordance with their terms; or the Administrative Agent's security interests, mortgages or Liens in the Collateral shall cease to be valid and perfected, or shall cease to have the priority contemplated by the Security Documents, other than in accordance with the terms thereof or with the express prior written agreement of the Lenders; or any action at law, suit or in equity or other legal proceeding to cancel, revoke, rescind or declare void any of the Loan Documents shall be commenced by or on behalf of any Credit Party, any Subsidiary or any of their respective equity holders; or any court or any other Governmental Authority shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof;

(j) Change of Control. A Change of Control shall occur;

(k) Loss of Collateral; Labor Matters; Force Majeure; Etc. There shall occur any material damage to, or loss, theft or destruction of, any Collateral, whether or not insured, or any strike, lockout, labor dispute, embargo, condemnation, expropriation, act of God or public enemy, or other casualty, which in any such case causes the cessation or substantial curtailment of revenue producing activities at any facility of any Credit Party if such event or circumstance is not covered by business interruption insurance;

(l) Conduct of Business. Except as otherwise expressly permitted hereunder, any Credit Party shall (i) take any action, or shall make a determination, whether or not yet formally approved by any Credit Party's management or board of directors (or equivalent governing body), to (A) suspend the operation of all or a material portion of its business in the ordinary course, (B) suspend the payment of any material obligations in the ordinary course or suspend the performance under Material Agreements in the ordinary course of business, (C) solicit proposals for the liquidation of, or undertake to liquidate, all or a material portion of its assets or business, or (iv) solicit proposals for the employment of, or employ, an agent or other third party to conduct a wind-down of any material portion of its Business or (ii) be enjoined, restrained or in any way prevented by the order of any Governmental Authority from conducting any part of their business unless such order would not have a Material Adverse Effect;

(m) Licenses, Permits, Etc. There shall occur the loss, suspension or revocation of, or failure to renew, any license or permit (including, without limitation, any Pharmaceutical License) now held or hereafter acquired by any Credit Party if such loss, suspension, revocation or failure to renew could have a Material Adverse Effect;

(n) Subordinated Debt. (i) Any "event of default" under any Subordinated Debt Document shall occur, or (ii) the holders of all or any part of the Subordinated Debt shall accelerate the maturity of all or any part of the Subordinated Debt, or (iii) other than in accordance with the express terms of Section 7.04, the Subordinated Debt shall be prepaid, redeemed or repurchased in whole or in part or an offer to prepay, redeem or repurchase the Subordinated Debt in whole or in part shall be required to be made, or (iv) the Obligations shall cease for any reason to rank senior in right of payment to any Subordinated Debt;

(o) Criminal Actions. Any Credit Party, any of its Subsidiaries or any member of the Senior Management of any Credit Party or any of its Subsidiaries shall be indicted or convicted for a state or federal crime having the force of law for a felony that could reasonably be expected to (i) materially impair (A) the ability of the Credit Parties to operate their business, (B) any Loan Document, or (C) any rights or remedies of the Administrative Agent or any Lender under any Loan Document or (ii) result in a material declination in value of the Collateral.

(p) Material Agreements. Any "event of default" under any Material Agreement shall occur or any Material Agreement shall be terminated, expire, or otherwise fail to be in full force and effect; and

(q) Chief Officers. The chief executive officer or chief financial officer of the Credit Parties in existence on the Closing Date shall resign, be terminated or otherwise cease to be the chief executive officer or chief financial officer, as the case may be, of the Credit Parties and the Credit Parties do not (i) promptly begin a process customary for firms of comparable size, industry and location of PETIQ of identifying and appointing a replacement chief executive officer or chief financial officer, as the case may be, (ii) appoint an interim chief executive officer or chief financial officer, as the case may be, reasonably satisfactory to the Administrative Agent within thirty (30) days of such resignation, termination or cessation and (iii) appoint a replacement chief executive officer or chief financial officer, as the case may be, reasonably satisfactory to the Administrative Agent within a reasonable period of time; provided, that if the Administrative Agent does not notify the Credit Parties of any objection to a proposed successor chief executive officer or chief financial officer within fifteen (15) Business Days after receiving written notice of a proposed appointment, such proposed successor chief executive officer or chief financial officer shall be deemed to be satisfactory to the Administrative Agent.

**8.02 Remedies Upon Event of Default.** If any Event of Default occurs and is continuing, the Administrative Agent may, or at the request of the Required Lenders, shall take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Extensions to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, (whereupon the Early Termination Fee shall be due and payable) without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Credit Parties;

(c) require that the Borrowers Cash Collateralize the L/C Obligations (in an amount equal to the Minimum Collateral Amount with respect thereto); and

(d) exercise on behalf of itself and the other Secured Parties all rights and remedies available to it and the other Secured Parties under the Loan Documents, applicable law or equity;

provided, however, that upon the occurrence of an Event of Default under Section 8.01(e), the obligation of each Lender to make Loans and any obligations of the L/C Issuer to make L/C Credit Extensions shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable (including the Early Termination Fee), in each case without further act of the Administrative Agent or any Lender. No termination of the commitments hereunder shall relieve any Credit Party of any of the Obligations.

**8.03 Application of Funds**. In the event that, following the occurrence and during the continuance of any Event of Default, the Administrative Agent or any Lender receives any monies in connection with the enforcement of any of the Loan Documents, or otherwise with respect to the realization upon any of the Collateral, the Administrative Agent may apply (and shall apply at (a) the request of the Required Lenders or (b) following the exercise of remedies pursuant to Section 8.02, including without limitation, pursuant to the proviso thereof) such monies as follows (and each Lender shall comply with the instructions of the Administrative Agent in the case of any such monies received by such Lender):

i. First, to payment of outstanding Pro Rata Protective Advances and Out-of-Formula Advances ratably among the holders thereof in proportion to the respective amounts described in this clause First and if the Revolving Credit Lenders have declined to participate in Protective Advances pursuant to Section 2.17(a), to payment of outstanding Protective Advances not to exceed 10% of the Borrowing Base as of the date of the making of such Protective Advances funded by the Administrative Agent;

ii. Second, to payment of that portion of the Obligations owing to the Administrative Agent constituting (a) indemnities and expenses due and payable under this Agreement and the other Loan Documents (including reasonable and documented fees, charges and disbursements of counsel to the Administrative Agent), and (b) the fees due and payable under the Fee Letter;

iii. Third, to the payment of that portion of the Obligations constituting (i) indemnities and expenses (including reasonable and documented fees, charges and disbursements of counsel to the Lenders and amounts payable under Article III) due and payable to the Lenders under this Agreement and the other Loan Documents, (ii) accrued and unpaid interest and fees (including Unused Facility Fees, Early Revolving Credit Facility Termination Fees and Letter of Credit Fees) due and payable to the Lenders, (iii) unpaid principal of the Revolving Credit Loans, the Term Loans, the L/C Borrowings and the Swingline Loans, ratably among the holders thereof, and (iv) Cash Management Obligations then owing under Secured Cash Management Agreements, but excluding any Excluded Cash Management Obligations;

iv. Fourth, if the Revolving Credit Lenders have declined to participate in Protective Advances pursuant to Section 2.17, to payment of outstanding Protective Advances funded by the Administrative Agent remaining outstanding after the application of clause First above;

v. Fifth, to the Administrative Agent for the account of the L/C Issuer, to Cash Collateralize that portion of L/C Obligations comprised of the aggregate undrawn amount of Letters of Credit to the extent not otherwise Cash Collateralized by the Borrowers pursuant to Sections 2.03 and 2.21.

vi. Sixth, to the payment of that portion of the Obligations constituting Excluded Cash Management Obligations;

vii. Seventh, the payment in full of all other Obligations due and payable ratably among the holders thereof; and

viii. Eighth, the balance, if any, after all of the Obligations have been indefeasible paid in full, to the Borrowers or as otherwise required by Law.

All payments applied to the Loans pursuant to this Section 8.03 shall be applied to the Loans owing to the Lenders in accordance with their respective Applicable Percentages.

## ARTICLE IX
## ADMINISTRATIVE AGENT

**9.01 Appointment and Authority**.

(a) Each of the Lenders hereby irrevocably appoints East West Bank to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and neither any Borrower nor any other Credit Party shall have rights as a third party beneficiary of any of such provisions.

(b) The Administrative Agent shall also act as the "collateral agent" under the Loan Documents, and each of the Lenders (including in its capacity as a potential Cash Management Bank) hereby irrevocably appoints and authorizes the Administrative Agent to act as the collateral agent of such Lender for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Credit Parties to secure any of the Obligations, together with such powers and discretion as are reasonably incidental thereto. In this connection, the Administrative Agent, as "collateral agent" and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 9.05 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Security Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent, shall be entitled to the benefits of all provisions of this Article IX and Article X, as though such co-agents, sub-agents and attorneys-in-fact were the "collateral agent" under the Loan Documents) as if set forth in full herein with respect thereto.

**9.02 Rights as a Lender.** The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Credit Parties or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

**9.03 Exculpatory Provisions.** The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose it to liability or that is contrary to any Loan Document or applicable law, including, for the avoidance of doubt, any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Credit Parties or any of their Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of their Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final non-appealable order. The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until notice describing such Default or Event of Default is given to the Administrative Agent by a Credit Party, a Lender or the L/C Issuer.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or the creation, perfection or priority of any Lien purported to be created by the Security Documents, (v) the value or the sufficiency of any Collateral, or (vi) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

**9.04 Reliance by Agents.**

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance, extension, renewal or increase of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the L/C Issuer, the Administrative Agent may presume that such condition is satisfactory to such Lender or the L/C Issuer unless the Administrative Agent shall have received notice to the contrary from such Lender or the L/C Issuer prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel, independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

**9.05 Delegation of Duties.** The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub agents appointed by the Administrative Agent. The Administrative Agent and any such sub agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub agent and to the Related Parties of the Administrative Agent and any such sub agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and nonappealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

**9.06 Resignation of Agents.** The Administrative Agent may resign at any time by giving not less than thirty (30) days' prior written notice of its resignation to the Lenders and the Borrowers. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrowers, to appoint a successor, which shall be an Affiliate of the Lenders or other bank or financial institution with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders appoint a successor meeting the qualifications set forth above; provided that if the retiring Administrative Agent shall notify the Borrowers and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such

notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) except for any indemnity payments or other amounts then owed to the retiring Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor as provided for above in this Section. Upon the acceptance of a successor's appointment hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrowers to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrowers and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article 9 and Section 10.04 shall continue in effect for the benefit of such retiring Administrative Agent its sub agents and its respective Related Parties in respect of any actions taken or omitted to be taken by any of them prior to such resignation.

Any resignation by East West Bank as the Administrative Agent pursuant to this Section shall also constitute its resignation as the L/C Issuer and Swingline Lender. If East West Bank resigns as the L/C Issuer, it shall retain all the rights, powers, privileges and duties of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as the L/C Issuer and all L/C Obligations with respect thereto, including the right to require the Revolving Lenders to make Revolving Credit Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c). If East West Bank resigns as the Swingline Lender, it shall retain all the rights, powers, privileges and duties of the Swingline Lender hereunder with respect to all Swingline Loans outstanding as of the effective date of its resignation as the Swingline Lender, including the right to require the Revolving Lenders to make Revolving Credit Loans to repay such outstanding Swingline Loans. Upon the appointment of a successor L/C Issuer hereunder (which successor shall in all cases be a Lender other than a Defaulting Lender), (i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer, (ii) the retiring L/C Issuer shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents, and (iii) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to East West Bank to effectively assume the obligations of East West Bank with respect to such Letters of Credit. Upon the appointment of a successor Swingline Lender hereunder (which successor shall in all cases be a Lender other than a Defaulting Lender), (i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Swingline Lender and (ii) the retiring Swingline Lender shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents.

**9.07 Non-Reliance.** Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, any other Lender or any of their Related Parties, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, any other Lender or any of their Related Parties, and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

**9.08 [Reserved]**

**9.09 Administrative Agent May File Proofs of Claim.** In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Credit Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrowers) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.09 and 10.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 10.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

**9.10 Collateral and Guarantee Matters.** Each of the Lenders (including in its capacity as a potential Cash Management Bank) irrevocably authorizes the Administrative Agent at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (i) upon termination of the Aggregate Commitments and payment in full in cash of all Obligations (other than contingent indemnification obligations ), (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder (other than sales among Credit Parties), or (iii) subject to Section 10.01, if approved, authorized or ratified in writing by the Required Lenders;

(b) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.02(a); and

(c) to release any Guarantor from its obligations under the Security Documents and release any related Collateral if such Person ceases to be a Subsidiary as a result of a transaction permitted by Section 7.05.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guarantees pursuant to this Section 9.10.

The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent be responsible or liable to the Lenders for any failure to monitor or maintain any portion of the Collateral.

**9.11 Disbursement and Collection Duties.** Subject to Section 8.03, the Administrative Agent shall have the sole and exclusive right and authority (to the exclusion of the Lenders), and is hereby authorized, to act as the disbursing and collecting agent for the Lenders with respect to all payments and collections arising in connection with the Loan Documents, and each Person making any payment in connection with any Loan Document to any Secured Party is hereby authorized to make such payment to the Administrative Agent.

**9.12 Secured Cash Management Agreements.** Except as otherwise expressly set forth herein, no Cash Management Bank that obtains the benefit of the provisions of Section 8.03, any Guaranty or any Collateral by virtue of the provisions hereof or any Collateral Document shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Loan Document or otherwise in respect of the Collateral (including the release or impairment of any Collateral) (or to notice of or to consent to any amendment, waiver or modification of the provisions hereof or of any Guaranty or any Collateral Document) other than in its capacity as a Lender and, in such case, only to the extent expressly provided in the Loan Documents. Notwithstanding any other provision of this Article IX to the contrary, the Administrative Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Cash Management Obligations arising under Secured Cash Management Agreements except to the extent expressly provided herein and unless the Administrative Agent has received a Secured Party Designation Notice of such

Obligations, together with such supporting documentation as the Administrative Agent may request, from the applicable Cash Management Bank. The Administrative Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Cash Management Obligations arising under Secured Cash Management Agreements in the case of the termination of this Agreement.

## ARTICLE X
## MISCELLANEOUS

**10.01 Amendments, Etc.** No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrowers or any other Credit Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrowers or the applicable Credit Party, as the case may be, and acknowledged by the Administrative Agent and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) extend, increase or decrease the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;

(b) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided that for the avoidance of doubt, mandatory prepayments pursuant to Section 2.05 may be postponed, delayed, reduced, waived or modified with the consent of the Required Lenders;

(c) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing or (subject to clause (y) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document, without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrowers to pay interest or any fees due hereunder at the Default Rate;

(d) i. change Section 2.13 or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby or the order of the application of payments thereunder, in each case, without the written consent of each Lender or (ii) change Section 2.05 in a manner that would alter the pro rata sharing of Revolving Credit Commitments reductions required thereby without the written consent of each Lender affected thereby;

(e) change any provision of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder without the written consent of each Lender;

(f) (i) release all or substantially all of the Collateral in any transaction or series of related transactions, (ii) release all or substantially all of the Guarantors party to the Guarantees, (iii) subordinate the Obligations hereunder to any other Indebtedness, (iii) except as provided by operation of applicable law, subordinate the Liens on all or substantially all of the Collateral granted in favor of the Administrative Agent for itself and the other Secured Parties under the Security Documents to any other Lien, in each case, without the written consent of each Lender; or

(g) (i) increase the advance rates set forth in or otherwise amend the definition of "Borrowing Base" without the written consent of each Lender, (ii) make less restrictive the eligibility criteria contained in the definitions of "Eligible Receivables,", "Eligible Inventory," "Eligible On-Hand Finished Goods Inventory," "Eligible In-Transit Finished Goods Inventory" or "Eligible Raw Materials Inventory" without the written consent of each Lender or (iii) amend Section 2.17 without the consent of each Lender, in each case, in a manner which would result in a greater amount of credit being made available to the Borrowers (it being understood and agreed that, subject to Section 10.18, the foregoing shall not limit, restrict or impair the rights of the Administrative Agent to impose or establish any and all Reserves, and thereafter to reduce or eliminate such Reserves or to determine the eligibility of Collateral for inclusion in the calculation of the Borrowing Base);

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the L/C Issuer in addition to the Lenders required above, affect the rights or duties of the L/C Issuer under this Agreement or any Issuer Document relating to any Letter of Credit issued or to be issued by it, (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document, (iii) no amendment, waiver or consent shall, unless in writing and signed by the Swingline Lender in addition to the Lenders required above, affect the rights or duties of the Swingline Lender under this Agreement or any other Loan Document, (iv) Section 10.06(g) may not be amended, waived or otherwise modified without the consent of each Granting Lender all or any part of whose Loans are being funded by an SPC at the time of such amendment, waiver or other modification and (v) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Lender that is a Credit Party, any Affiliate of any Credit Party or any Defaulting Lender (collectively, the "Disqualified Lenders") shall have any right to exercise any voting, consent, elective or request right as a Lender, approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders may be effected with the consent of all Lenders other than Disqualified Lenders), except that (x) the Commitment of any Disqualified Lender may not be increased or extended without the consent of such Disqualified Lender and (y) any waiver, amendment or the modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Disqualified Lender more adversely than other affected Lenders shall require the consent of such Disqualified Lender.

**10.02 Notices; Effectiveness; Electronic Communication.**

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

i. if to any Borrower, any other Credit Party, the Administrative Agent, the L/C Issuer or the Swingline Lender, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

ii. if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices and other communications sent delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders (including to the L/C Issuer and the Swingline Lender) hereunder may be delivered or furnished by electronic communication (including through any Electronic Medium) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender (including to the L/C Issuer and the Swingline Lender) pursuant to Article II if such Lender (including the L/C Issuer and the Swingline Lender) has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent, the L/C Issuer, the Swingline Lender or the Borrowers may, in its or their discretion, agree to accept notices and other communications to it or to them hereunder by electronic communications pursuant to procedures approved by it or them, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender’s receipt of an acknowledgement from the intended recipient (such as by the “return receipt requested” function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Change of Address, Etc. Each of the Borrowers, the Administrative Agent, the L/C Issuer and the Swingline Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the Borrowers, the Administrative Agent, the L/C Issuer and the Swingline Lender. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, facsimile number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(d) Reliance by Administrative Agent, L/C Issuer, Swingline Lender and Lenders. The Administrative Agent, the L/C Issuer, the Swingline Lender and the other Lenders shall be entitled to rely and act upon any notices (including telephonic or electronic Loan Advance Requests and Letter of Credit Applications) purportedly given by or on behalf of the Borrowers even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrowers shall indemnify the Administrative Agent, the L/C Issuer, the Swingline Lender, each other Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrowers. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

**10.03 No Waiver; Cumulative Remedies.** No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Credit Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.02 for the benefit of all the Lenders; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) the L/C Issuer from exercising the rights and remedies that inure to its benefit (solely in its capacity as the L/C Issuer) hereunder and under the other Loan Documents, (c) the Swingline Lender from exercising the rights and remedies that inure to its benefit (solely in its capacity as the Swingline Lender) hereunder and under the other Loan Documents, (d) any Lender from exercising setoff rights in accordance with Section 10.08 (subject to the terms of

Section 2.13), or (e) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Credit Party under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.02 and (ii) in addition to the matters set forth in clauses (b), (c) and (d) of the preceding proviso and subject to Section 2.13, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

**10.04 Expenses; Indemnity; Damage Waiver.**

(a) Costs and Expenses. The Borrowers shall pay (i) all reasonable documented out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable and documented fees, charges and disbursements of one firm of outside counsel for such Persons, and one local or special counsel to such Persons in any relevant jurisdiction), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable documented out-of-pocket expenses incurred by the L/C Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent or any Lender, which, in the case of any Lender, other than the Administrative Agent and its Affiliates, shall be limited to one firm of outside counsel for all such Lenders (including the reasonable and documented fees, charges and disbursements of counsel) in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans (including Swingline Loans) made or Letters of Credit issued hereunder, including all such reasonable and documented out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Indemnification by the Borrowers. The Borrowers shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable and documented fees, charges and disbursements of any outside counsel for any Indemnitee which, in the case of the Lenders, other than the Administrative Agent and its Affiliates, shall be limited to one firm of outside counsel for all such Lenders), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrowers or any other Credit Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and each

of its Related Parties only, the administration of this Agreement and the other Loan Documents, (ii) any Loan (including any Swingline Loan) or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrowers or any other Credit Party, or any Environmental Liability related in any way to the Borrowers or any other Credit Party, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrowers or any other Credit Party, and regardless of whether any such Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrowers or any other Credit Parties against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrowers or such other Credit Parties has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. Without limiting the provisions of Section 3.01(c), this Section 10.04(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) Reimbursement by Lenders. To the extent that any Borrower for any reason fails to pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (and any sub-agent thereof), the L/C Issuer, the Swingline Lender or any Related Party of the Administrative Agent, each Lender severally agrees to pay to the Administrative Agent (and any sub-agent thereof), the L/C Issuer, the Swingline Lender or such Related Party, as the case may be, such Lender's pro rata share of the Aggregate Commitments (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (and any sub-agent thereof), the L/C Issuer, or the Swingline Lender in its respective capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (and any sub-agent thereof), the L/C Issuer or the Swingline Lender in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Borrowers shall not assert, and the Borrowers hereby waive, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments. All amounts due under this Section shall be payable not later than ten (10) Business Days after demand therefor.

(f) Survival. The agreements in this Section shall survive the resignation of the Administrative Agent, the L/C Issuer or the Swingline Lender, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

**10.05 Payments Set Aside.** To the extent that any payment by or on behalf of any Credit Party is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or, if permitted hereunder, such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

**10.06 Successors and Assigns.**

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the L/C Issuer, the Swingline Lender and the other Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including, for purposes of this subsection (b), participations in L/C Obligations) at the time owing to it); provided that any such assignment shall be subject to the following conditions:

i. Except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $500,000 in the case of any assignment, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower Representative otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

ii. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitments assigned.

iii. No consent shall be required for any assignment except to the extent required by subsection (b)(i) and (b)(v)of this Section and, in addition:

(A) the consent of the Borrower Representative (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund, provided that the Borrower Representative shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within seven (7) Business Days after having received notice thereof;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of any Commitment if such assignment is to a Person that is not a Lender with a Commitment, an Affiliate of such Lender or an Approved Fund with respect to such Lender; and

(C) the consent of the L/C Issuer shall be required for any assignment in respect of a Revolving Credit Commitment.

iv. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of $3,500 payable to the Administrative Agent; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

v. Except as agreed by the Administrative Agent and the Required Lenders (a) prior to an Event of Default, no such assignment shall be made (I) to any Credit Party or any Affiliate or Subsidiary of any Credit Party, (II) to any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (II) or (III) to a natural person and (b) subject to Section 10.06(b)(vi), prior to a Specified Event of Default no such assignment shall be made to any Prohibited Assignee. In addition, the consent of the Borrower Representative shall be required with respect to any assignment (x) prior to an Event of Default, with respect to an assignment to the Persons described in clauses (a)(II), (a)(III), and (y) prior to a Specified Event of Default, with respect to an assignment to the Persons described in clause (b). For the avoidance of doubt, the consent of the Borrower Representative shall not be required following an Event of Default in the case of an assignment described in clause (x) of the preceding sentence or following a Specified Event of Default in the case of an assignment described in clause (y) of the preceding sentence.

vi. Prior to any assignment to a Prohibited Assignee following a Specified Event of Default pursuant to Section 10.06(b)(v)(b), (x) the Borrowers shall have five (5) Business Days following notice to Borrowers of any proposed assignment to a Prohibited Assignee to repay all Obligations together with all accrued and unpaid interest and fees thereon (including, for the avoidance of doubt, any early termination fee due thereupon) and (y) the Sponsors shall have five (5) Business Days following notice to Borrowers of any proposed assignment to a Prohibited Assignee to purchase from the Lenders in immediately available funds the full amount (at par) of all Obligations together with all accrued and unpaid interest and fees thereon (including, for the avoidance of doubt, any early termination fee due thereupon), all in amounts as specified by the Administrative Agent and determined in good faith and subject to documentation reasonably acceptable to the Administrative Agent and without recourse or warranty.

vii. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which

may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrowers and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, the L/C Issuer or any Lender hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Letters of Credit in accordance with its Applicable Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable Law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits and obligations of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment; provided that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute waiver or release of any claim of any party hereunder arising from that Lender having been a Defaulting Lender. Upon request, the Borrowers (at their expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrowers (and such agency being solely for tax purposes), shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. In addition, the Administrative Agent shall maintain on the Register information regarding the designation, and revocation of designation, of any Lender as a Defaulting Lender. The Register shall be available for inspection by the Borrowers or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than, prior to an Event of Default, a natural Person, a Defaulting Lender, a Prohibited Assignee or any Credit Party or any Affiliate or Subsidiary of any Credit Party) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including, in the case of any Revolving Credit Lender, such Lender's participation in the L/C Obligations) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent, the Lenders and the L/C Issuer shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnity under Section 10.04(c) without regard to the existence of any participation.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. The Borrowers agree that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section (it being understood that the documentation required under Section 3.01(e) shall be delivered to the Lender who sells the participation) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Sections 3.06 and 10.13 as if it were an assignee under paragraph (b) of this Section and (B) shall not be entitled to receive any greater payment under Sections 3.01 or 3.04, with respect to any participation, than the Lender from whom it acquired the applicable participation would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrowers' request and expense, to use reasonable efforts to cooperate with the Borrowers to effectuate the provisions of Section 3.06 with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender; provided that such Participant agrees to be subject to Section 2.13 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrowers (solely for tax purposes), maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is

necessary to establish that such commitment, loan, or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as such) shall have no responsibility for maintaining a Participant Register.

(e) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) [Reserved].

(g) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) Special Purpose Funding Vehicles. Notwithstanding any provision to the contrary, any Lender (a "Granting Lender") may assign to one or more special purpose funding vehicles (each, an "SPC") all or any portion of its funded Loans (without, in the case of Revolving Credit Loans, the corresponding Revolving Credit Commitment), without the consent of any Person or the payment of a fee, by execution of a written assignment agreement in a form agreed to by such Granting Lender and such SPC, and may grant any such SPC the option, in such SPC's sole discretion, to provide the Borrowers all or any part of any Loans that such Lender would otherwise be obligated to make pursuant to this Agreement. Such SPCs shall have all the rights which a Lender making or holding such Loans would have under this Agreement, but no obligations. The Granting Lender making such assignment shall remain liable for all its original obligations under this Agreement, including its Commitment (although the unused portion thereof shall be reduced by the principal amount of any Loans held by an SPC). Notwithstanding such assignment, the Administrative Agent and Borrowers may deliver notices to the Granting Lender making such assignment (as agent for the SPC) and not separately to the SPC unless the Administrative Agent and Borrowers are requested in writing by the SPC (or its agent) to deliver such notices separately to it. The Borrowers shall, at the request of any such Granting Lender, execute and deliver to such Person as such Lender may designate, a Note in the amount of such Granting Lender's original Note to evidence the Loans of such Granting Lender and related SPC.

**10.07 Treatment of Certain Information; Confidentiality.** Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrowers or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent or any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrowers.

For purposes of this Section, "Information" means all information received from the Borrowers or any Credit Party relating to the Borrowers or any Credit Party or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrowers or any Credit Party, provided that, in the case of information received from the Borrowers or any Credit Party after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent and the Lenders acknowledges that (a) the Information may include material non-public information concerning the Borrowers or a Credit Party, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including Federal and state securities Laws.

Notwithstanding anything to the contrary contained in this Section 10.07, each Credit Party consents to the publication by the Administrative Agent of any press releases, tombstones, advertising or other promotional materials (including, without limitation, via any Electronic Medium) relating to the financing transactions contemplated by this Agreement using such Credit Party's name, product photographs, logo or trademark.

**10.08 Right of Setoff.** If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time after obtaining the prior written consent of the Administrative Agent, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in

whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of any Credit Party against any and all of the obligations of any Credit Party now or hereafter existing under this Agreement or any other Loan Document to such Lender or its Affiliates, irrespective of whether or not such Lender or such Affiliate shall have made any demand under this Agreement or any other Loan Document and although such obligations of such Credit Party may be contingent or unmatured or are owed to a branch or office of such Lender or such Affiliate different from the branch or office holding such deposit or obligated on such indebtedness, provided, that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.12 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender or its Affiliates may have. Each Lender agrees to notify the Borrower Representative and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

**10.09 Interest Rate Limitation.** Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrowers. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

**10.10 Counterparts; Integration; Effectiveness.** This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

**10.11 Survival of Representations and Warranties.** All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

**10.12 Severability.** If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**10.13 Replacement of Lenders.** If the Borrowers are entitled to replace a Lender pursuant to the provisions of Section 3.06, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then (x) the Borrowers may, at their sole expense and effort, upon notice to such Lender and the Administrative Agent and (y) the Administrative Agent may upon notice to such Lender, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06), all of its interests, rights (other than its existing rights to payments pursuant to Sections 3.01 and 3.04) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrowers shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 10.06(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and, if such Lender is a Revolving Credit Lender, its L/C Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter;

(d) such assignment does not conflict with applicable Laws; and

(e) in the case of an assignment resulting from a Lender becoming a Non-Consenting Lender, the Administrative Agent shall have consented to such assignment and the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling any Borrower to require such assignment and delegation cease to apply.

**10.14 Governing Law; Jurisdiction; Etc.**

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW (OTHER THAN THE NEW YORK GENERAL OBLIGATIONS LAW §5-1401)).

(b) SUBMISSION TO JURISDICTION. EACH PARTY HERETO EACH IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER, THE OTHER CREDIT PARTIES SIGNATORY HERETO OR THEIR RESPECTIVE PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. EACH PARTY HERETO EACH IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN THE FIRST

SENTENCE OF SUBSECTION (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

(e) Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

**10.15 USA PATRIOT Act Notice.** Each Lender that is subject to the Act (as hereinafter defined), the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Credit Parties that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Credit Parties and their Subsidiaries, which information includes the name and address of the Credit Parties and their Subsidiaries and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Credit Parties and their Subsidiaries in accordance with the Act. The Credit Parties shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" or anti-money laundering rules and regulations, including the Act.

**10.16 ENTIRE AGREEMENT.** THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES. IN THE EVENT OF ANY EXPRESS CONFLICT OR INCONSISTENCY BETWEEN THE TERMS OF THIS AGREEMENT AND THE TERMS OF ANY OTHER LOAN DOCUMENT, THE TERMS OF THIS AGREEMENT SHALL GOVERN, IT BEING UNDERSTOOD THAT PROVISIONS OF OTHER LOAN DOCUMENTS THAT SUPPLEMENT TERMS OF THIS AGREEMENT SHALL NOT BE DEEMED TO BE INCONSISTENT BECAUSE OF THEIR NATURE AS SUPPLEMENTARY PROVISIONS.

**10.17 Joint and Several.** The obligations of the Credit Parties hereunder and under the other Loan Documents are joint and several.

**10.18 [Reserved].**

**10.19 No Advisory or Fiduciary Responsibility.** In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), each Credit Parties acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent and the Lenders are arm's-length commercial transactions between the Credit Parties and their respective Affiliates, on the one hand, and the Administrative Agent and the Lenders, on the other hand, (B) each Credit Party has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) each Credit Party is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent and each Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for any Credit Party or any of its Affiliates, or any other Person and (B) neither the Administrative Agent nor any Lender has any obligation to any Credit Party or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent, the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of Credit Parties and their Affiliates, and neither the Administrative Agent nor any Lender has any obligation to disclose any of such interests to the Credit Parties or any of their Affiliates. To the fullest extent permitted by law, the Credit Parties hereby waive and release any claims that they may have against the Administrative Agent or any Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

[*The Remainder of this Page Left Intentionally Blank*]

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**The Borrowers:**

**PETIQ, LLC,**
an Idaho limited liability company

By /s/ Cord Christensen
Name: Cord Christensen
Title: Chief Executive Officer

**TRUE SCIENCE HOLDINGS, LLC,**
a Florida limited liability company

By /s/ Cord Christensen
Name: Cord Christensen
Title: Manager

**TRURX LLC,**
an Idaho limited liability company

By /s/ Cord Christensen
Name: Cord Christensen
Title: Manager

**TRU PRODIGY, LLC,**
a Texas limited liability company

By /s/ Cord Christensen
Name: Cord Christensen
Title: Manager

**The Administrative Agent:**

**EAST WEST BANK**,
as Administrative Agent

By /s/ David Lehner
Name: David Lehner
Title: Senior Vice President

**The L/C Issuer:**

**EAST WEST BANK,**
as L/C Issuer

By /s/ David Lehner
Name: David Lehner
Title: Senior Vice President

**The Swingline Lender:**

**EAST WEST BANK,**
as Swingline Lender

By /s/ David Lehner
Name: David Lehner
Title: Senior Vice President

**The Lenders:**

**East West Bank**
as a Revolving Lender and a Term Loan Lender

By /s/ David Lehner
Name: David Lehner
Title: Senior Vice President

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors
PetIQ, Inc.:

We consent to the use of our reports included herein and to the reference to our firm under the heading “Experts” in the prospectus.

/s/ KPMG LLP

Boise, Idaho
June 23, 2017