

12/001134

BOARD OF COUNTY COMMISSIONERS, SARPY COUNTY, NEBRASKA

RESOLUTION APPROVING THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) LOAN AGREEMENT, PROMISSORY NOTE, AND SECURITY AGREEMENT WITH SERGEANT'S PET CARE PRODUCTS, INC. AND AUTHORIZING CHAIRMAN TO SIGN SAME

WHEREAS, pursuant to Neb. Rev. Stat. § 23-104 (Reissue 2007), the County has the power to do all acts in relation to the concerns of the County necessary to the exercise of its corporate powers; and,

WHEREAS, pursuant to Neb. Rev. Stat. § 23-103 (Reissue 2007), the powers of the County as a body are exercised by the County Board; and,

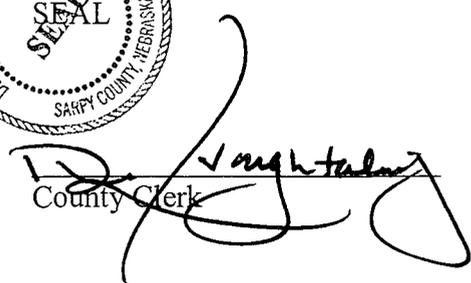
WHEREAS, Sarpy County previously entered into a Memorandum of Understanding (MOU) with Sergeant's Pet Care Products, Inc. and the State of Nebraska, Department of Economic Development (Rsln. No 2011-366) to distribute Community Development Block Grant (CDBG) funds to Sergeant's Pet Care Products Inc. in order to create and maintain jobs for low-to-moderate income person(s); which, the terms of said MOU are contained within the proposed loan agreement and related documents.

NOW THEREFORE, BE IT RESOLVED BY THE SARPY COUNTY BOARD OF COMMISSIONERS THAT the attached Loan Agreement, Promissory Note, and Security Agreement between Sarpy County and Sergeant's Pet Care Products, Inc, are hereby approved and the Chairman and the Clerk are hereby authorized to sign the Agreements and such other documents as may be necessary to consummate the terms of said Agreements.

The above Resolution was approved by a vote of the Sarpy County Board of Commissioners at a public meeting duly held in accordance with applicable law on the 10th day of July, 2012.


Sarpy County Board Chairman



Attest

County Clerk

July 10, 2012

PROMISSORY NOTE

\$500,000

Sarpy County, Nebraska
July 2012

For Value Received, the undersigned, Sergeant's Pet Care Products, Inc. (the "Maker"), promises to pay Sarpy County (the "Lender"), or its order the principal sum of **Five Hundred Thousand Dollars (\$500,000)**, together with interest accruing on from the date hereof on that portion of the outstanding balance deemed repayable in accordance with the Loan Agreement with the Maker and the Lender, at the rate of 0.0% per annum. The term of this note shall be sixty (60) months from the date hereof.

Interest and principal payments shall begin immediately upon execution of this note. **Payment is due and payable on the 1st day of the month commencing two months after the calendar month of DED issuance of the Notice of Release of Funds which is expected to be September 1st or October 1st 2012.**

All payments and any notice to the Lender will be made at 1210 Golden Gate Drive, Papillion, Nebraska 68046, to Sarpy County, or to such other address as designated to the Maker in writing. Any notice to the Maker will be given to the Maker at the following address: 10077 South 134th Street, Omaha, Nebraska 68138, or at such other address as the Maker will have designated to the Lender in writing.

This debt may be prepaid in whole or in part at any time, without penalty or fee, by the payment of all or at least One Hundred Dollars (\$100) per increment of the unpaid principal balance of this debt, the accrued interest, and any charges or other sums, including costs of collection, which may then be due under the terms of this note or the security agreements. Any partial prepayment will be applied against payments due in the inverse order of their maturity and not postpone the date of, nor change the amount of, any subsequent monthly installment. Payments shall be applied first to costs, then to interest, and then to principal.

This note is made pursuant to a Loan Agreement between Maker and the Lender (the "Loan Agreement"). This note is to be secured by a Security Agreement between the Maker and the Lender (the "Security Agreement") to be executed and delivered by the Maker to the Lender.

It is agreed that if there is a default in the payment of the debt, and it is **not** cured within fifteen (15) days, **or** if default is made under the terms of the Loan Agreement or the Security Agreement, then, at the option of the Lender, the principal sum, with accrued interest, will become immediately due, payable, and collectible (with any interest to accrue thereafter at the lesser of the highest legal rate or twelve percent (12%) per annum).

It is further understood and agreed that this note shall become immediately due and payable as further provided in the Loan Agreement.

The undersigned:

- (a) Waives demand, presentment, protest, notice of protest and of nonpayment;
- (b) Agrees to pay after default all costs of collecting or attempting to collect this note, including reasonable attorney's fees; and
- (c) Waives as to this debt or any renewal or extension, or of any part, all rights of exemption under the constitution or laws of the State of Nebraska or any other state as to personal property.

July 10, 2012

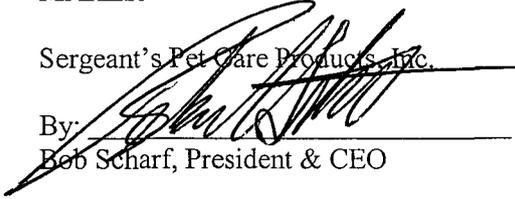
This note and all provisions are binding on the Maker, its successors and assigns, and will inure to the benefit of the Lender, its successors and assigns. The Lender does not by any act, delay, omission, or otherwise waive any of its rights or remedies, and no waiver of any kind is valid against the Lender unless in writing and signed by the Lender.

This note is governed by and construed in accordance with the laws of the State of Nebraska.

Dated and executed on July 10, 2012.

MAKER

Sergeant's Pet Care Products, Inc.

By: 

Bob Scharf, President & CEO

LOAN AGREEMENT

THIS AGREEMENT dated **July 10, 2012**, is by and between Sergeant's Pet Care Products, Inc., a Nevada corporation (the "Borrower"), and Sarpy County, Nebraska (the "Lender").

WHEREAS, pursuant to the Memorandum of Understanding ("MOU") between the parties dated **November 8, 2011**, the Lender has determined to make a loan to the Borrower.

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

PART 1: THE LOAN

1.01 The Loan.

Subject to the terms and conditions of this Agreement, the Lender agrees to lend to the Borrower, and the Borrower agrees to borrow from the Lender, the amount of **Five Hundred Thousand Dollars (\$500,000)**.

Two Hundred Fifty Thousand Dollars (\$250,000) is to be loaned to the Borrower at an interest rate of zero percent, and is repayable in sixty (60) monthly installments, beginning on 1st day of the month commencing two months after the calendar month of DED issuance of the Notice of Release of Funds which is expected to be September 1st or October 1st 2012.

Two Hundred Fifty Thousand Dollars (\$250,000) is to be loaned to the Borrower at an interest rate of zero percent, and that amount will be forgiven upon satisfaction by the Borrower of the job creation and maintenance requirements set forth in Section 4.12 of this Agreement.

The amount of proceeds to be loaned to Borrower will be in one phase. The total loan will be no greater than **Five Hundred Thousand Dollars (\$500,000)**. The term of the loan shall be sixty (60) months from the date hereof.

The Borrower may prepay the outstanding principal and interest balance, or any part thereof, at any time, without penalty (in the minimum of \$100 increments).

1.02 Purpose of Loan.

The purpose of the loan is to provide the Borrower with funds for the purchase of machinery and equipment. The Borrower agrees it will apply the funds received by it under this Agreement in the manner described above.

1.03 Due on Sale.

Unless the obligations hereunder are assumed by an entity purchasing, merging with, or otherwise taking control of the Business, repayment of the entire amount of any outstanding balance of the CDBG funded obligation of the Business may be declared (by the County) immediately due and payable upon any material change in the ownership control of the principal assets of the Business, or of the Business itself, including mergers and/ or consolidations with other persons or entities

PART II: REPRESENTATIONS AND WARRANTIES

The Borrower represents and covenants the following:

2.01 Duly Organized.

The Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the State of Nevada and has legal and binding power to enter into this Agreement and to borrow from Lender the amount set forth above.

2.02 Duly Authorized.

The making and performance by the Borrower of this Agreement, and the execution and delivery of this Agreement, the Promissory Note and the Security Agreement have been duly authorized by all necessary corporate action and will not violate any law, rule, regulation, order, writ, judgment, decree, determination or award presently in effect having applicability to the Borrower or a provision of the Borrower's Articles of Incorporation or By-Laws or result in a breach of or constitute a default under any indenture or bank loan or credit agreement or any other agreement or instrument to which the Borrower is a party or by which it or its property may be bound or affected.

2.03 Legally Binding Instruments.

When this Agreement is executed by the Borrower and the Lender, and when the Promissory Note is executed and delivered by the Borrower, each such instrument will constitute the legal, valid, and binding obligation of the Borrower in accordance with its terms. Any security agreement and instruments, financing statements, mortgages and other liens on chattel or real estate will constitute legal valid and binding liens free and clear of all prior liens and encumbrances except as provided for in this Agreement or in the Security Agreement.

2.04 No legal Suits.

There are no legal actions, suits, or proceedings pending or, to the knowledge of the Borrower, threatened against the Borrower before any court or administrative agency, which, if determined adversely to the Borrower, would have a material adverse effect on the financial condition or business of the Borrower.

2.05 No Authorization Needed.

No authorization, consent or approval, or any formal exemption of any governmental body, regulatory authorities (federal, state or local) or mortgagee, creditor or third party, is or was necessary for the valid execution and delivery by the Borrower of this Agreement.

2.06 Not In Default.

The Borrower is not in default of any obligation, covenant, or condition contained in any bond, debenture, note, or other evidence of indebtedness or any mortgage or collateral instrument securing the same.

2.07 Taxes Are Paid.

The Borrower has filed for all tax returns which are required and has paid or made provision for the payment of all taxes which have or may become due pursuant to said returns or pursuant to any assessments levied against the Borrower or its personal or real property by any taxing agency, federal, state or local. No tax liability has been asserted by the Internal Revenue Service or other taxing agency,

federal, state, or local for taxes materially in excess of those already provided for and the Borrower knows of no basis for any such deficiency assessment.

2.08 No Adverse Change.

The Borrower certifies that there has been no adverse or material change since the date of loan application in the financial condition, organization, operation, business prospects, fixed properties, or personnel of the Borrower.

PART III: CONDITIONS OF LENDING

The obligation of the Lender to make the Loan will be subject to the fulfillment at the time of closing of each of the following conditions:

3.01 Execution and Delivery of Promissory Note and Loan Agreement.

The Borrower will have executed and delivered to the Lender this Loan Agreement and the Promissory Note in a form satisfactory to the Lender and its counsel.

3.02 Execution and Delivery of Security Agreement.

The Borrower will have executed and delivered to the Lender the Security Agreement in a form satisfactory to the Lender and its counsel.

3.03 Execution and Certification of Resolution of Board of Directors.

The Borrower will have executed and delivered to the Lender, a duly certified copy of a Resolution of the Board of Directors authorizing the execution and delivery by the Borrower of this Agreement.

3.04 Corporate Papers.

The Borrower will have delivered to the Lender copies of the Borrower's Articles of Incorporation and By-Laws.

3.05 Guarantor.

The Borrower will have provided an unconditional corporate guarantee on the Loan.

3.06 Governmental Approval.

The Borrower will have secured all necessary approvals or consents, if required, of governmental bodies or agencies having Jurisdiction with respect to any construction contemplated in accordance with the use of proceeds of the loan.

3.07 Approval of Others.

The Borrower will have secured all necessary approvals or consents required with respect to this transaction by any mortgagor, creditor or other party having any financial interest in the Borrower.

3.08 Opinion of Counsel.

If requested by Lender, the Lender will receive the Opinion of Counsel to the Borrower that the representations and warranties are true and accurate on and as of the closing date and the conditions of the Loan have been duly satisfied as of the closing date.

PART IV: AFFIRMATIVE COVENANTS OF THE BORROWER

The Borrower agrees to comply with the following covenants from this date until the Lender has been fully repaid with interest, unless the Lender or its assigns will otherwise consent in writing:

4.01 Payment of the Loan/Performance.

The Borrower agrees to pay punctually the principal and interest on the Promissory Note according to the terms and conditions of the Promissory Note and to pay punctually any other amounts that may become due and payable to the Lender pursuant to the terms of this Agreement and/or the Security Agreement. Buyer shall perform all its obligations as set out in the Promissory Note, this Agreement and/or the Security Agreement. **Payment is due and payable on the 1st day of each month commencing two months after the calendar month of DED issuance of the Notice of Release of Funds.**

4.02 Payment of Other Indebtedness.

The borrower agrees to pay punctually the principal and interest due on any other indebtedness now or at any time owing by the Borrower to the Lender or any other lender.

4.03 Maintain and Insure Property.

The Borrower agrees at all times to maintain the property provided as security for this Loan in such condition and repair that the Lender's security will be adequately protected. The Borrower also agrees to maintain during the term of the Loan adequate hazard insurance policies covering fire and extended coverage and such other hazards as may by Lender be deemed appropriate in amounts and form sufficient to prevent the Borrower from becoming a co-insurer and issued by companies satisfactory to the Lender with acceptable loss payee and additional insured clauses in favor of the Lender. Provided further, that the extended coverage insurance shall cover all business property and be in an amount of the loan set out in Section 1.01 of this Agreement. **The Borrower further agrees to provide to the Lender a certificate of insurance describing the insurance coverage maintained by the Borrower, such certificate must be kept continually current throughout the term of this loan agreement.**

4.04 Pay All Taxes.

The Borrower agrees to duly pay and discharge all taxes, assessments and governmental charges upon it or against its properties prior to the earlier of the date they become delinquent or the date on which penalties are attached, except that the Borrower will not be required to pay any such tax, assessment or governmental charge which is being contested by it in good faith and by appropriate proceedings, provided that the amount thereof, together with interest thereon, is escrowed by Borrower pending the outcome of such contest in a manner satisfactory to Lender. Borrower shall notify Lender within 30 days of Borrower contesting any tax, assessment, or governmental charge.

4.05 Maintain Existence.

The Borrower agrees to maintain its corporation existence, rights, privileges and franchises within its state of incorporation and remain qualified as a foreign corporation in each Jurisdiction in which its present or future operations or its ownership of property require such qualification.

4.06 Provide Financial Information.

The Borrower agrees to maintain adequate records and books of account, in which complete entries will be made reflecting all of its business and financial transactions, such entries to be made in accordance with generally accepted principles of good accounting practice consistently applied in the case of financial transactions.

The Borrower further agrees to provide information, and execute and deliver any and all additional documents and instruments as may be reasonably requested by the Lender, its assigns or counsel.

The Borrower further agrees to provide written notice to the Lender of any public hearing or meeting before any administrative or other public agency which may, in any manner, affect the chattel, personal property or real estate securing the loan.

4.07 Right of Inspection.

The Borrower agrees **to grant** to the Lender, until Promissory Note has been fully repaid with interest, the right at all reasonable hours to inspect the Collateral, as such term is defined in the Security Agreement, used to secure the Loan; and the Borrower further agrees to provide the Lender free access to the Borrower's premises for the purpose of such inspection to determine the condition of the chattel, personal property and real estate.

4.08 Null and Void Covenants.

The Borrower and Lender agree that in the event that any provision of this Loan Agreement or any other instrument executed at closing or the application to any person or circumstances shall be declared null and void, invalid, or held for any reason to be unenforceable by a Court of competent jurisdiction, the remainder of such agreement will nevertheless remain in full force and effect, **and** to this end, the provisions of all covenants, conditions, and agreements described herein are deemed separate.

4.09 Expenses and Closing Costs.

The Borrower agrees to pay all out-of-pocket fees, expenses and charges incurred by Lender with respect to the Loan.

4.10 Notice of Default.

The Borrower agrees to give written notice to the Lender of any event, within fifteen (15) days of the event, which constitutes an Event of Default under this Loan Agreement as described in Article VI or that would, with notice or lapse of time or both, constitute an Event of Default under this Loan Agreement.

4.11 Indemnification.

The Borrower agrees to **indemnify** and save the Lender or its assigns harmless against any and all liability with respect to, or resulting from, any delay in discharging any obligation of the Borrower.

4.12 Performance Targets.

The Borrower will create at least fifty-eight (58) new, permanent full-time equivalent (FTE) positions of which at least fifty-one percent (51%) **must be held by, or made available to persons from the low-to-moderate-income (LMI) category and will maintain these positions for at least twenty-four months following the date of hire of each position. Also for any additional created positions beyond the fifty-eight (58) FTE positions, at least fifty-one percent (51%) must be held by, or made available to LMI persons.** The Borrower will have no more than twenty-four (24) months from the date of this Agreement to comply with the hiring condition.

The Borrower agrees to **provide to** the Lender **quarterly reports documenting** the Borrower's performance in obtaining job creation goals.

4.13 Compliance With Law.

Evidence satisfactory to the Lender will be furnished certifying that all improvements and their use comply fully with all applicable zoning and building laws, ordinances and regulations, and all other

applicable federal, state and municipal law requirements. The loan will be in all respects legal and will not violate any applicable law or other requirements of any governmental authority.

4.14 Malperformance.

If the Borrower does not create fifty-eight (58) FTEs, of which fifty-one percent (51%) will fall within the LMI category and maintain these positions for three (3) years from the date of loan execution, the Lender's funds will be disallowed and reimbursed on a pro rata basis to the Lender.

4.15 Location of the Project.

Project users agrees to keep the location of its main operation, which shall include the corporate headquarters facility at 10077 South 134th Street, Omaha, Nebraska, and agrees to not move or relocate to any other Nebraska community or out of state without obtaining the prior written approval and consent of the Lender. If a move is transacted, without written consent of the Lender, the Borrower will be considered in default under Section 6.04.

4.16 Warranty of Representations.

The loan proceeds will be used as set forth in the MOU and the Borrower warrants the job and training specifications and procedures set forth in the MOU will be complied with by Borrower.

PART V: NEGATIVE COVENANTS OF THE BORROWER

The Borrower covenants and agrees that, from this date until payment in full of the Promissory Note, unless the Lender or its assigns otherwise consent in writing, it will not enter into any agreement or other commitment the performance of which would constitute a breach of any of the covenants contained in this Loan Agreement including, but not limited to the following covenants:

5.01 Encumber the Acquisition Assets.

The Borrower will neither create nor suffer to exist any sale, transfer, mortgage, pledge, lien, charge, or encumbrance of its pledged assets as set forth in Exhibit "A" of the Security Agreement except those contemplated by the Security Agreement or a sale of the business contemplated under section 1.03 of this Loan Agreement.

PART IV: EVENTS OF DEFAULT

The entire unpaid principal of the Promissory Note and the accrued interest will become and be immediately due and payable, without any other notice or demand of any kind or any presentment or protest, if any one of the following events (an "Event of Default") occurs and is continuing at such time, whether voluntarily or involuntarily, or without limitation, occurring or brought about by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rules or regulation of any administrative or governmental body:

6.01 Nonpayment of Loan.

If the Borrower fails to make payment when due of any installment of principal on the Promissory Note or accrued interest and if the default remains unremedied for fifteen (15) days.

6.02 Nonpayment or Other Indebtedness.

If default is made in the payment when due of any installment of principal or of interest on any of the Borrower's other indebtedness and if such default will remain unremedied for fifteen (15) days.

6.03 Incorrect Representation or Warranty.

If any representation or warranty contained in, or made in connection with the execution and delivery of, this Loan Agreement or in any provided information proves to be incorrect in any material respect.

6.04 Default in Covenants.

If the Borrower defaults in the performance of any other term, covenant or agreement contained in this Loan Agreement, and such default continues unremedied for thirty (30) days after either: (i) it becomes known to an executive officer of the Borrower; or (ii) written notice has been given to the Borrower by the Lender.

6.05 Voluntary Insolvency.

If the borrower becomes insolvent or ceases to pay its debts as they mature or voluntarily files a petition seeking reorganization of its business, or the appointment of a receiver, trustee, or liquidation of a substantial portion of its assets effects a plan or other arrangement with creditors, or be adjudicated bankrupt, or make a voluntary assignment for the benefit of the creditors.

6.06 Involuntary Insolvency.

If an involuntary petition is filed against the Borrower under any bankruptcy, insolvency or similar law or seeking the reorganization of or the appointment of any receiver, trustee or liquidator for the Borrower, or of a substantial part of the property of the Borrower, or a writ or warrant of attachment or similar process will be issued against a substantial part of the property of the Borrower, and such petition is not dismissed, or such writ or warrant of attachment or similar process is not released or bonded, within thirty (30) days after filing the levy.

6.07 Job Creation.

If the Borrower fails to attain and maintain the job creation requirements of Section 4.12 of this Agreement.

PART VII: MISCELLANEOUS

7.01 Wavier of Notice.

No failure or delay on the part of the Lender in exercising any right, power, or remedy hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. No modification or wavier of any provision of this Loan Agreement or of the Promissory Note, nor any consent to same will be effective unless it is in writing and then such wavier or consent will be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the borrower in any case will entitle the Borrower to any other or further notice or demand in similar or other circumstances.

7.02 Amendments.

The Borrower and the Lender or its assigns reserve all rights to amend any provisions of this Agreement, to consent to or waive any departure from the provisions of this Loan Agreement, to amend or consent to or waive departure from the provisions of the Promissory Note, and to release or otherwise deal with any collateral security for payment of the Promissory Note provided, unless all such amendments be in writing and executed by the Lender or its assigns, and the Borrower.

7.03 Notices.

July 16, 2012

All notices, consents, requests, demands and other communication will be in writing and will be deemed to have been duly given to a party if mailed to the Lender at its address set forth in the grant application, and to the Borrower at the address set forth in the grant application.

7.04 Survival of Representations and Warranties.

All agreements, representations, and warranties made by the Borrowers or any other document or certificate delivered to the Lender in connection with the transactions contemplated by this Loan Agreement will survive the delivery of this Agreement, the Promissory Note and the Security Agreement, and will continue in full force and effect so long as the Promissory Note is outstanding.

7.05 Successors and Assigns.

This Loan Agreement will be binding upon the Borrower, its successors, and assigns. Prior to any assignment or transfer of Borrower's rights or obligations under this Loan Agreement, Borrower will provide satisfactory evidence to Lender that a Purchaser assumes all obligations hereunder or provide notice to Lender that Borrower is compliant with the provisions of Section 1.03 hereunder.

7.06 Counterparts.

This Loan Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

7.07 Governing Use.

This Loan Agreement and the Promissory Note and Security Agreements and Financing Statements will be deemed contracts made under the laws of the State of Nebraska and for all purposes will be construed in accordance with the laws of this State.

7.08 Article and Section Headings.

Article and Section headings used in this Agreement are for convenience only and will not affect the construction of this Agreement.

IN WITNESS WHEREOF, the parties hereto have each caused this Loan Agreement to be executed the day and year first above stated.

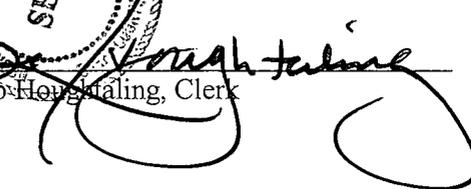
LENDER:

SARPY COUNTY, NEBRASKA

By:  7/10/12

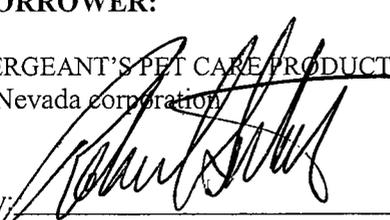
Witness:




Deb Houghaling, Clerk

BORROWER:

SERGEANT'S PET CARE PRODUCTS, INC.
a Nevada corporation

By: 

Bob Scharf, President and CEO

STATE OF NEBRASKA
DEPARTMENT OF ECONOMIC DEVELOPMENT

SECURITY AGREEMENT

WHEREAS, the Nebraska Department of Economic Development (the "Department") has made a grant of federal funds to Sarpy County, Nebraska (the "Secured Party"), which is to make a loan to the Borrower. Payments of principal and interest thereon are to be made directly to the Secured Party. The loan is in the amount of \$500,000.00 with interest at the rate of zero percent (0%), per annum payable five (5) years from the date hereof unless forgiven pursuant to the terms thereof, or in the event of default, interest shall accrue at the rate of twelve percent (12%).

NOW, THEREFORE, the Secured Party, and Sergeant's Pet Care Products, Inc., (the "Borrower"), agree as follows:

In consideration of financial accommodations given, Borrower grants to Secured Party a security interest in all equipment, goods, etc. (Collateral) described and noted in the attached Exhibit "A" in order to secure the payment and performance of all of Borrower's present and future obligations (Liabilities) to Secured Party. Borrower now owns Collateral or Collateral will be of the type and class described a supplementary schedule which Borrower will immediately deliver to Secured Party.

Borrower conveys to the Secured Party a security title to and a continuing security interest in:

COLLATERAL - See Exhibit "A" attached hereto for a description of the Collateral.

Said security interest shall be senior and superior to all other security interests in the Collateral.

"Collateral" being sometimes collectively called "Collateral together with the proceeds of all Collateral to secure the payment of the principal of, interest and satisfaction of all obligations under a Promissory Note (the "Note") dated on or about the date hereof from the undersigned payable to the order of the Secured Party in the amount of \$500,000.00. The Note is also hereinafter referred to as the "Liabilities."

Until default, as defined within this Agreement, the undersigned may have possession of any of the Collateral and use the same in any lawful manner not inconsistent with this agreement or with any policy of insurance on any of such Collateral.

Except as otherwise provided, the Borrower warrants and agrees that:

- (a) Borrower is now, or with the proceeds of the Note will be vested with sole, lawful, and unencumbered title to all Collateral with full power to transfer, convey, and encumber; and to the extent, if any, it will have advised the Secured Party that any of the Collateral is being acquired with the proceeds of the Note, that those proceeds may be disbursed by the Secured Party directly to the seller of such Collateral;
- (b) The Collateral will at all times be kept at Sergeant's Pet Care Products, Inc., Omaha, Sarpy County, Nebraska, except as may be moved in the ordinary and usual course of business. The Borrower shall not be permitted to use the Collateral for operating purposes

at any location other than the Borrower's facilities located at the address referenced herein.

- (c) The Borrower will give prior written notice to Secured Party of any change of address or location of any such place of business, and of any use of the Collateral in any jurisdiction other than the address shown below, and in no event without Secured Party's written consent will any such place of business be changed to a location outside of Sarpy County, Nebraska, except as may be moved in the ordinary and usual course of business.
- (d) Undersigned will make timely payments of all taxes on the Collateral and will at all times keep the Collateral free of all liens and claims other than the security interest noted in this agreement, if any, and the security interest granted to Secured Party;
- (e) No senior financing statement or senior claim of security interests in favor of any other party with respect to any of the Collateral, , is on file in any public office and the undersigned will from time to time, on request of the Secured Party, execute such financing statements and other documents (and pay the cost of filing or recording the same in all public offices deemed necessary by the Secured Party) and do such other acts and things, all as the Secured Party may request to establish and maintain a valid security title and interest in the Collateral, to secure the payment of the Liabilities, including, without limitation, deposit with the Secured Party of any certificate of title issuable with respect to any of the Collateral and notation thereon of the security interest;
- (f) Borrower will not sell, transfer, lease, or otherwise dispose of any of the Collateral or any interest therein except in the ordinary and usual course of business or with the prior written consent of the Secured Party unless Borrower engages in a sale of the business as contemplated by section 1.03 of the Loan Agreement.
- (g) Borrower will at all times keep the Collateral insured against loss, damage, theft, and other risks in such amounts and with such companies and under such policies and in such form as is satisfactory to the Secured Party. Secured Party acknowledges the standard and usual policies maintained by the Borrower are satisfactory. These policies will provide that loss payable to the Secured Party as its interests may appear and Secured Party may apply any proceeds of such insurance which may be received by it toward payment of the Liabilities, whether or not due, in such order of application as the Secured Party may determine) and a copy of all such policies or certificates will be deposited with the Secured Party;
- (h) The Secured Party may examine and inspect the Collateral at any reasonable time or times after reasonable notice to the Borrower;
- (i) All information at any time furnished the Secured Party by Borrower with respect to Liabilities, report, or other writing is and will be true and materially correct as of the date furnished. The Secured Party from time to time, at its option and with no obligation to do so, may perform any agreement of the undersigned which the undersigned fails to perform and take any other action which the Secured Party deems necessary for the maintenance or preservation of any of the Collateral or its interests, including but not limited to causing the Collateral to be insured. The undersigned agrees to reimburse the Secured Party for all reasonable expenses of the Secured Party in connection with the foregoing, together with interest to the highest lawful contract rate (but in no event more than 12% per annum) from the date incurred until reimbursed by the undersigned.

The occurrence of any of the following events constitutes a default:

- (a) Nonpayment of any amount payable on any of the Liabilities within fifteen (15) days after the due date of such amount so payable or failure to perform any agreement of the undersigned to the Secured Party.
- (b) Any statement, representation or warranty of the undersigned herein or in any other writing at any time furnished by the undersigned to the Secured Party is untrue in any material respect as of the date made;
- (c) The Borrower becomes insolvent or makes an assignment for the benefit of creditors;
- (d) Commencement of bankruptcy or other debtor relief proceedings of any nature by or against the Borrower;
- (e) Dissolution, merger or consolidation, or transfer of a substantial part of the property of the Borrower which is a corporation;
- (f) Sale, transfer or exchange, either directly or indirectly, of a controlling stock interest of the Borrower which is a corporation;
- (g) Appointment of a receiver for any of the Collateral or for any property of the Borrower;
- (h) Any levy, attachment, garnishment or other process is made or issued, or any lien is filed against any Collateral of the Borrower;
- (i) Loss or destruction of Collateral or any portion thereof by fire, theft, or other casualty not covered by insurance.

Whenever a default exists and same is not covered by the Borrower within fifteen (15) days of written notice of the default, the Note and all other Liabilities may, at the option of Secured Party and without demand or notice of any kind, be declared and immediately become due and payable, and bear interest at the highest lawful contract rate (but in no event more than 18% per annum). The Secured Party may exercise from time to time any and all rights and remedies in any related contract or agreement provided and otherwise available to it under applicable law. The undersigned agrees, in case of Default, except and to the extent expressly permitted in writing by Secured Party to assemble, at its expense, all the Collateral at a convenient place acceptable to the Secured Party and to pay all costs of the Secured Party of collection of the Note and all other liabilities, and enforcement of its rights hereunder, including reasonable attorney's fees and legal expenses.

If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, will be deemed reasonable and properly given if mailed at least 5 days before such disposition, postage prepaid, addressed to the undersigned either at the address shown below, or at any other address of the undersigned appearing on the records of the Secured Party. Any proceeds of any disposition of any of the Collateral may be applied by the Secured Party to the payment of expenses in connection with the Collateral, including reasonable attorney's fees and legal expenses, and any balance of such proceeds may be applied by the Secured Party toward the payment of such of the Liabilities and in such order of application as the Secured Party may from time to time elect.

No delay or failure on the part of the Secured Party in the exercise of any right or remedy

will operate as a waiver and no single or partial exercise by the Secured Party of any right or remedy will preclude other or further exercise or the exercise of any other right or remedy.

Time is of the essence of this Agreement. If more than one party executes this Agreement, the term "undersigned" and/or "Borrower" will mean all parties signing this Agreement and each of them, and all such parties are jointly and severally obligated.

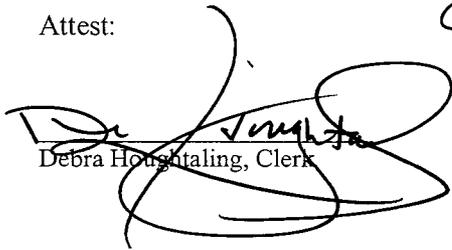
Whenever possible each provision of this Agreement is to be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is prohibited by or invalid under applicable law, such provision is ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provisions of this Agreement.

The rights and privileges of the Secured Party are to inure to the benefit of its successors and assigns.

IN WITNESS WHEREOF, the parties have caused this instrument to be executed by their duly authorized officers and their corporate seals affixed.

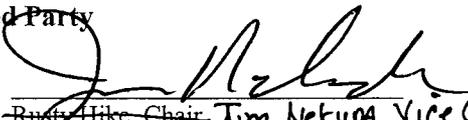
Dated this 10th day of July, 2012.

Attest:


Debra Houghtaling, Clerk

Sarpy County, Nebraska
Secured Party

By:


~~Rudy Hike, Chair~~ Jim Nekuda Vice Chairman
Sarpy County Board of Commissioners

Dated this 20 day of July, 2012.

Attest:



Sergeant's Pet Care Products, Inc.
Borrower

By:

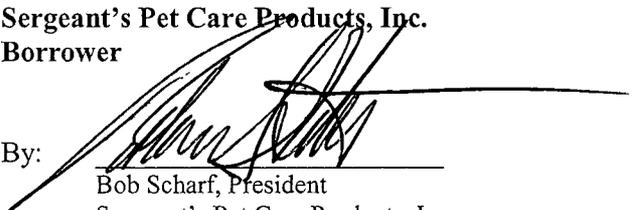

Bob Scharf, President
Sergeant's Pet Care Products, Inc.

EXHIBIT "A"

RE: SECURITY AGREEMENT
COLLATERAL FOR LOAN

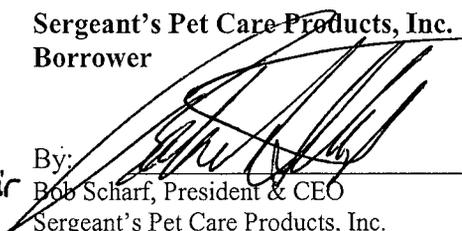
The following equipment, goods, and/or fixtures are located and/or installed at the Sergeant's Pet Care Products, Inc. real estate located at 10077 South 134th Street, Omaha, NE, and shall serve as Collateral for the Sarpy County CDBG Economic Development Funds:

<u>Vendor</u>	<u>Equipment</u>	<u>Fair Market Value</u>
Laminar Flow Inc	Fipronil Blending Equipment Recirculating Downflow Booth	128,273
Heritage Equipment Co.	Shampoo Mixing Tanks - Omaha	80,800
Solutions 4 Sure (dba TechDepot) Apple	PC Refresh - Omaha Several Lenovo ThinkPad, Base, Dock PCs, Hardware	46,495
TechDepot Dell	Server Refresh - Omaha IBM System x3850 X5 7143Xeon E7-8860 2.26 GHz	80,920
TechDepot	Office/Plant Move Technology ST Cisco 5508 Wireless Controller, network mngmnt device Cisco Aironet 3502e wireless access point-10 pack 4510R+Echas Two WSX4748, Catalyst 4500	96,919
Sirius	Office/Plant Move Technology LT 48 port angled patch panel, Quicknet cable assembly	18,485
TechDepot	Network Refresh Cisco ASA Security Appliance	69,580
		Total: <u>521,472</u>

Sarpy County, Nebraska
Secured Party

Sergeant's Pet Care Products, Inc.
Borrower

 7/10/12
Rasty Hike, Chair
Sarpy County Board of Commissioners


By: Bob Scharf, President & CEO
Sergeant's Pet Care Products, Inc.