



September 20, 2016

Dear Customer,

Animal Supply is committed to providing the best service, support and communication to our customers. As partners we believe that it is important to be able to explain our business practices. We have received questions on how we manage our fuel surcharge, and as a result we have reviewed the process. Below are the details and updates regarding how the fuel surcharge is managed.

During the review we recognized that we have differing fuel surcharge programs across the country. This was due to the multiple acquisitions of regional distributors in creating a national distribution company. We reviewed the different regional fuel surcharge processes and recognized the importance of developing a single and consistent national program. The new program focuses on achieving the following three customer requirements:

1. Be fair and competitive.
2. Be fact based – use fuel cost data from a trusted source.
3. Be transparent – let our customers know how and when adjustments will be made.

Going forward the surcharge rate will adjust as the cost of diesel fuel increases or decreases using a consistent index. (See the attached Fuel Surcharge Table.) Fuel costs are tracked by the U.S. Energy Information Administration (EIA). The following website: <http://www.eia.gov/petroleum/gasdiesel/> provides the information and diesel prices by market. When diesel goes up the surcharge will be adjusted up, and when it goes down the surcharge will be reduced.

Fuel costs vary by region of the country, and the web site provides prices for each region (PAD District). The PAD District where our distribution centers are located will determine the fuel surcharges amount. A customer's fuel surcharge will be determined by the distribution center that ships their product. (Note, as a result there may be different surcharge levels by market across the U.S.)

The surcharges will be adjusted at the beginning of every month (up or down). As with past practices the surcharge amount will be shown on your invoice. ***Please know that Animal Supply Company recognizes that a move to the current fuel surcharge would reflect a significant increase. To help ease into the program based on the EIA, the following graduated increases will take effect:

Effective Date	Amount
October 17, 2016	\$14.00
January 1, 2017	\$15.00
April 1, 2017	Ref: Table



Please contact your sales representative with questions regarding the updated program. We believe that this new approach achieves our customer requirements established above. The program also helps ensure that Animal Supply Company is able to continue to support our pursuit of delivering the best service for all our customers.

Thank you,

David Block
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 Animal Supply Company
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Fuel Surcharge Table

Diesel Cost per/Gallon		FSC Fee
\$1.91 - \$2.10		\$13.28
\$2.11 - \$2.30		\$14.57
\$2.31 - \$2.50		\$15.87
\$2.51 - \$2.70		\$17.16
\$2.71 - \$2.90		\$18.46
\$2.91 - \$3.10		\$19.75
\$3.11 - \$3.30		\$21.05
\$3.31 - \$3.50		\$22.34
\$3.51 - \$3.70		\$23.64
\$3.71 - \$3.90		\$24.93
\$3.91 - \$4.10		\$26.23
\$4.11 - \$4.30		\$27.53
\$4.31 - \$4.50		\$28.82
\$4.51 - \$4.70		\$30.12
\$4.71 - \$4.90		\$31.41
\$4.91 - \$5.10		\$32.71
\$5.11 - \$5.30		\$34.00
\$5.31 - \$5.50		\$35.30
\$5.51 - \$5.70		\$36.59
\$5.71 - \$5.90		\$37.89

What is the source used to determine national average diesel cost per/gallon?

Diesel cost data is updated and published weekly by the U.S. Energy Information Administration (EIA), which is the principal agency of the U.S. Federal Statistical System responsible for collecting, analyzing, and disseminating energy information.

<http://www.eia.gov/petroleum/gasdiesel/>

Pricing Guide by Market	
Animal Supply Location	Market (PADD)
Hanover Park, IL	Midwest (PADD2)
New Hope, MN	Midwest (PADD2)
Orrville, OH	Midwest (PADD2)
Syracuse, NY	East Coast (PADD1)
Greensboro, NC	Lower Atlantic (PADD1C)
Atlanta, GA	Lower Atlantic (PADD1C)
Schertz, TX	Gulf Coast (PADD3)
Whittier, CA	California
Stockton, CA	California
Orlando, FL	Lower Atlantic (PADD1C)
Fife, WA	West Coast Less California
Clackamas, OR	West Coast Less California
Denver, CO	Rocky Mountain (PADD4)
Boise, ID	Rocky Mountain (PADD4)