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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 0-22427

HESKA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**77-0192527**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
3760 Rocky Mountain Avenue Loveland, Colorado	**80538**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (970) 493-7272

Securities registered pursuant to Section 12(b) of the Act:

Public Common Stock, $.01 par value	**The Nasdaq Stock Market LLC**
(Title of Class)	**(Name of Each Exchange on Which Registered)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a small reporting company)	Smaller Reporting Company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting common stock held by non-affiliates of the Registrant was approximately $56,863,979 as of June 30, 2012 based upon the closing price on the Nasdaq Capital Market reported for such date. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purpose.

5,802,656 shares of the Registrant's Public Common Stock, $.01 par value, were outstanding at March 13, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12, 13 and 14 of Part III incorporate by reference information from the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for the Registrant's 2013 Annual Meeting of Stockholders.

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Statement Regarding Forward Looking Statements

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). For this purpose, any statements contained herein that are not statements of current or historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results could differ materially from those expressed or forecasted in any such forward-looking statements as a result of certain factors, including those set forth in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere in this Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements.

Although we believe that expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. These forward-looking statements apply only as of the date of this Form 10-K or for statements incorporated by reference from the 2013 definitive proxy statement on Schedule 14A, as of the date of the Schedule 14A.

Internet Site

Our Internet address is www.heska.com. Because we believe it provides useful information in a cost-effective manner to interested investors, via a link on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are publicly available free of charge and we believe are available as soon as reasonably practical after we electronically file such material with, or furnish it to, the Securities Exchange Commission. Information contained on our website is not a part of this annual report on Form 10-K.

PART I

Item 1. Business.

We develop, manufacture, market, sell and support veterinary products. Our core focus is on the canine and feline companion animal health markets where we strive to provide high value products.

Our business is composed of two reportable segments, Core Companion Animal Health and Other Vaccines, Pharmaceuticals and Products. The Core Companion Animal Health segment ("CCA") includes diagnostic instruments and supplies as well as single use diagnostic and other tests, vaccines and pharmaceuticals, primarily for canine and feline use. These products are sold directly to veterinarians by us as well as through distribution relationships. The Other Vaccines, Pharmaceuticals and Products segment ("OVP") includes private label vaccine and pharmaceutical production, primarily for cattle but also for other animals including small mammals and fish. All OVP products are sold by third parties under third party labels. Please refer to Note 9 to our audited consolidated financial statements filed herewith for financial information about each of our segments.

Our principal executive offices are located at 3760 Rocky Mountain Avenue, Loveland, Colorado 80538, our telephone number is (970) 493-7272 and our internet address is www.heska.com. We originally incorporated in California in 1988, and we subsequently incorporated in Delaware in 1997.

Background

We were founded as Paravax, Inc. in 1988 and conducted research on vaccines to prevent infections by parasites. We changed our name to Heska Corporation in 1995, completed our initial public offering in 1997 and continued to be a research and development-focused company, devoting substantial resources to the research and development of innovative products for the companion animal health market. In 2001 and 2002, we took steps to lower our expense base, largely in internal research and development. In 2008, we underwent a restructuring primarily to reduce our operating costs. We have continued to concentrate our efforts on operating improvements, such as enhancing the effectiveness of our sales and marketing efforts and pursuing cost efficiencies, as well as seeking new product opportunities with third parties.

Core Companion Animal Health Segment

We presently sell a variety of companion animal health products and services, among the most significant of which are the following:

Veterinary Blood Testing and Other Non-Imaging Instruments

We offer a line of veterinary blood testing and other instruments, some of which are described below. We also market and sell consumable supplies for these instruments. Our line of veterinary instruments includes the following:

- *Blood Chemistry.* The Element DC™ Veterinary Chemistry Analyzer (the "Element DC") was launched in October 2012. The Element DC is an easy-to-use, robust system that uses dry slide technology for blood chemistry and electrolyte analysis and has the ability to run 22 tests at a time with a single blood sample. Test slides are available as both pre-packaged panels as well as individual slides. The Element DC is faster and has an enhanced user interface compared to the instrument it replaced, the DRI-CHEM 4000 Veterinary Chemistry Analyzer (the "DRI-CHEM 4000"). The DRI-CHEM 7000 Veterinary Chemistry Analyzer (the "DRI-CHEM 7000") is a complementary chemistry offering, co-branded with FUJIFILM Corporation ("FUJIFILM"), with higher throughput, multiple patient staging and a "STAT" feature which provides emergency sample flexibility in critical cases. The Element DC, DRI-CHEM 7000 and DRI-CHEM 4000 all utilize the same test slides. We are supplied with the Element DC, the DRI-CHEM 7000 and affiliated test slides and supplies under a contractual agreement with FUJIFILM.
- *Hematology.* The HEMATRUE Veterinary Hematology Analyzer is an easy-to-use blood analyzer that measures such key parameters as white blood cell count, red blood cell count, platelet count and hemoglobin levels in animals. In addition, we continue to service and support our previous hematology instrument, the HESKA CBC-DIFF Veterinary Hematology System. We are supplied new instruments and affiliated reagents and supplies of these products under a contractual agreement with Boule Medical AB ("Boule").
- *Blood Gases.* The VitalPath Blood Gas and Electrolyte Analyzer ("VitalPath") delivers accurate results for blood gases, electrolytes, hematocrit and 27 additional calculated parameters in 50 seconds. We began to ship and install VitalPath units at customer locations in May 2010. VitalPath and affiliated consumables and supplies are supplied to us under contractual agreement with Roche Diagnostics Corporation.

- *IV Pumps.* The VET/IV 2.2 infusion pump is a compact, affordable IV pump that allows veterinarians to easily provide regulated infusion of fluids, drugs or nutritional products for their patients.

Point-of-Care Diagnostic Tests

Heartworm Diagnostic Products. Heartworm infections of dogs and cats are caused by the parasite *Dirofilaria immitis*. This parasitic worm is transmitted in larval form to dogs and cats through the bite of an infected mosquito. Larvae develop into adult worms that live in the pulmonary arteries and heart of the host, where they can cause serious cardiovascular, pulmonary, liver and kidney disease. Our canine and feline heartworm diagnostic tests use monoclonal antibodies or a recombinant heartworm antigen, respectively, to detect heartworm antigens or antibodies circulating in the blood of an infected animal.

We currently market and sell heartworm diagnostic tests for both dogs and cats. SOLO STEP CH for dogs and SOLO STEP FH for cats are available in point-of-care, single use formats that can be used by veterinarians on site. We also offer SOLO STEP CH Batch Test Strips, a rapid and simple point-of-care antigen detection test for dogs that allows veterinarians in larger practices to run multiple samples at the same time. We obtain SOLO STEP CH, SOLO STEP FH and SOLO STEP Batch Test Strips under a contractual agreement with Quidel Corporation (“Quidel”).

Veterinary Diagnostic Laboratory Products and Services

Allergy Products and Services. Allergy is common in companion animals, and it has been estimated to affect approximately 10% to 15% of dogs. Clinical symptoms of allergy are variable, but are often manifested as persistent and serious skin disease in dogs and cats. Clinical management of allergic disease is problematic, as there are a large number of allergens that may give rise to these conditions. Although skin testing is often regarded as the most accurate diagnostic procedure, such tests can be painful, subjective and inconvenient. The effectiveness of the immunotherapy that is prescribed to treat allergic disease is inherently limited by inaccuracies in the diagnostic process.

Our ALLERCEPT Definitive Allergen Panels provide the most accurate determination of which we are aware of the specific allergens to which an animal, such as a dog, cat or horse, is reacting. The panels use a highly specific recombinant version of the natural IgE receptor to test the serum of potentially allergic animals for IgE directed against a panel of known allergens. A typical test panel consists primarily of various pollen, grass, mold, insect and mite allergens. The test results serve as the basis for prescription ALLERCEPT Allergy Treatment Sets, discussed later in this document.

We sell kits to conduct blood testing using our ALLERCEPT Definitive Allergen Panels to third-party veterinary diagnostic laboratories outside of the United States. We also sell products to screen for the presence of allergen-specific IgE to these customers – we sell kits to conduct preliminary blood testing using products based on our ALLERCEPT Definitive Allergen Panels as well as a similar test requiring less technical sophistication, our E-SCREEN Test. Animals testing positive for allergen-specific IgE using these screening tests are candidates for further evaluation using our ALLERCEPT Definitive Allergen Panels.

We operate veterinary laboratories in Loveland, Colorado and Fribourg, Switzerland which both offer blood testing using our ALLERCEPT Definitive Allergen Panels.

Other Products and Services. We sell E.R.D. Reagent Packs used to detect microalbuminuria, the most sensitive indicator of renal damage, to VCA Antech, Inc. for use in its veterinary diagnostic laboratories.

Our Loveland veterinary diagnostic laboratory currently also offers testing using our canine and feline heartworm, renal damage, immune status and flea bite allergy assays as well as other diagnostic services including polymerase chain reaction, or PCR, based tests for certain infectious diseases. Our Loveland diagnostic laboratory is currently staffed by medical technologists experienced in animal disease and several additional technical staff. We intend to continue to use our Loveland veterinary diagnostic laboratory both as a stand-alone service center for our customers and as an adjunct to our product development efforts.

Pharmaceuticals and Supplements

Heartworm Prevention. We have an agreement with Intervet Inc., formerly known as Schering-Plough Animal Health Corporation ("Merck Animal Health"), a unit of Merck & Co., Inc., granting Merck Animal Health the exclusive distribution and marketing rights for our canine heartworm prevention product, TRI-HEART Plus Chewable Tablets, ultimately sold to or through veterinarians in the United States. TRI-HEART Plus Chewable Tablets (ivermectin/pyrantel) are indicated for use as a monthly preventive treatment of canine heartworm infection and for treatment and control of ascarid and hookworm infections. We manufacture TRI-HEART Plus Chewable Tablets at our Des Moines, Iowa production facility.

Nutritional Supplements. We sell a novel fatty acid supplement, HESKA F.A. Granules. The source of the fatty acids in this product, flaxseed oil, leads to high omega-3:omega-6 ratios of fatty acids. Diets high in omega-3 fatty acids are believed to lead to lower levels of inflammatory mediators. The HESKA F.A. Granules include vitamins and are formulated in a palatable flavor base that makes the product convenient and easy to administer.

Hypothyroid Treatment. We sell a chewable thyroid supplement, THYROMED Chewable Tablets, for treatment of hypothyroidism in dogs. Hypothyroidism is one of the most common endocrine disorders diagnosed in older dogs, treatment of which requires a daily hormone supplement for the lifetime of the animal. THYROMED Chewable Tablets contain the active ingredient *Levothyroxine Sodium*, which is a clinically proven replacement for the naturally occurring hormone secreted by the thyroid gland. The chewable formulation makes this daily supplement convenient and easy to administer.

Vaccines and other Biologicals

Allergy Treatment. Veterinarians who use our ALLERCEPT Definitive Allergen Panels often purchase ALLERCEPT Allergy Treatment Sets, also referred to as ALLERCEPT Therapy Shots, for those animals with positive test results. These prescription immunotherapy treatment sets are formulated specifically for each allergic animal and contain only the allergens to which the animal has significant levels of IgE antibodies. The prescription formulations are administered in a series of injections, with doses increasing over several months, to ameliorate the allergic condition of the animal. Immunotherapy is generally continued for an extended time. Immunotherapy delivered by injection is referred to as subcutaneous immunotherapy. We offer canine, feline and equine subcutaneous immunotherapy treatment products. In February 2012, we announced we had licensed intellectual property for a proprietary, sublingual (administered under the tongue) therapy treatment for pets suffering with allergies – now known as ALLERCEPT Therapy Drops. We believe our ALLERCEPT Therapy Drops offer a convenient alternative to subcutaneous injection, thereby enhancing the likelihood of pet owner compliance.

Feline Respiratory Disease. The use of injectable vaccines in cats has become controversial due to the frequency of injection site-associated side effects. The most serious of these side effects are injection site sarcomas, tumors which, if untreated, are nearly always fatal. While there is one competitive non-injectable two-way vaccine, all other competitive products are injectable formulations.

We sell the FELINE ULTRANASAL FVRCP Vaccine, a three-way modified live vaccine combination to prevent disease caused by the three most common respiratory viruses of cats: calicivirus, rhinotracheitis virus and panleukopenia virus. Our two-way modified live vaccine combination, FELINE ULTRANASAL FVRC, prevents disease caused by calicivirus and rhinotracheitis. These vaccines are administered without needle injection by dropping the liquid preparation into the nostrils of cats. Our vaccines avoid injection site side effects, and we believe they are very efficacious.

Veterinary Imaging Instruments and Services

On February 24, 2013, we acquired a 54.6% interest in Cuattro Veterinary USA, LLC, which was subsequently renamed Heska Imaging US, LLC ("Heska Imaging") and operates only in the United States. This transaction marks our entry into the veterinary imaging business. Heska Imaging offerings in this area include:

Digital Radiography Solutions. Our digital radiography solutions are marketed and sold under the "Cuattro" brand name. We sell hardware including digital radiography detectors, acquisition workstation equipment, positioning aides such as tunnels and tables, viewing computers and other accessories along with embedded software and support, data hosting and other services. The CloudDR™ solution combines flat panel digital radiography with web-based image storage. The Cloudbank™ archive is an automatic, secure, web-based image storage solution designed to interface with the software we sell. ViewCloud™ is a PACS (Picture Archival and Communications System) for Cloudbank for web or local viewing, reporting, planning and email sharing of studies on internet devices, including personal computers, Mac desktop and portable systems, tablet devices, iPad™ devices and smartphones. SupportCloud™ is a support package including call center voice and remote diagnostics, recovery and other services, such as the provision of warranty-related loaner units, to support CloudDR, Cloudbank and ViewCloud.

We also sell mobile digital radiography products, primarily for equine use. The Uno 2™ is a full powered, seamlessly integrated, portable digital radiography generator with an embedded detector and touchscreen computer. The Uno 2 weighs 9 kilograms and can shoot, detect and display images in 5 seconds. The Uno Slate 3™ Wireless features a 16 bit detector for use with an existing generator and which communicates wirelessly with a mobile, case-based direct sunlight readable display, including multi-touch software and the ability to natively link to Digital Imaging and Communication in Medicine, or DICOM, servers of all types as well as Cloudbank.

Cuattro, LLC provides us with the hardware, software and support, data hosting and other services for our digital radiography solutions under exclusive contractual arrangements in the United States.

Ultrasound Systems. Our ultrasound products, including affiliated probes and peripherals, are provided to us under an exclusive agreement with Esaote USA ("Esaote"). We sell several different ultrasound products with varying features and corresponding price points, all under Esaote's trade names or logos. These offerings include the MyLab 30 Gold Vet, a compact, portable, high performance model offering optional products for use with abdominal, cardiac and small parts applications. The ultrasound products we sell generally seamlessly integrate with our Cloudbank and ViewCloud offerings discussed above for image storing and viewing.

Other Vaccines, Pharmaceuticals and Products Segment

We have developed our own line of bovine vaccines that are licensed by the United States Department of Agriculture ("USDA"). We have a long-term agreement with a distributor, Agri Laboratories, Ltd., ("AgriLabs"), for the marketing and sale of certain of these vaccines which are sold primarily under the Titanium® and MasterGuard® brands – registered trademarks of AgriLabs. AgriLabs has non-exclusive rights to sell these bovine vaccines in the United States, Africa and Mexico into December 2015. We also manufacture other bovine products not covered under the agreement with AgriLabs.

We manufacture biological and pharmaceutical products for a number of other animal health companies. We manufacture products for animals including small mammals. Our offerings range from providing complete turnkey services which include research, licensing, production, labeling and packaging of products to providing any one of these services as needed by our customers as well as validation support and distribution services.

Marketing, Sales and Customer Support

We estimate that there are approximately 53,000 veterinarians in the United States whose practices are devoted principally to small animal medicine. These veterinarians practice in approximately 24,000 clinics in the United States. In 2012, our products were sold to approximately 13,000 such clinics in the United States. Veterinarians may obtain our products directly from us or indirectly through others. All our Core Companion Animal Health products ultimately are sold primarily to or through veterinarians. In many cases, veterinarians will markup their costs to the end user. The acceptance of our products by veterinarians is critical to our success.

We currently market our Core Companion Animal Health products in the United States to veterinarians through an outside field organization, a telephone sales force, independent third-party distributors, as well as through trade shows and print advertising and through other distribution relationships, such as Merck Animal Health in the case of our heartworm preventive. Our outside field organization currently consists of 36 individuals in various parts of the United States. Our inside sales force consists of 18 persons.

We have a staff dedicated to customer and product support in our Core Companion Animal Health segment including veterinarians, technical support specialists and service technicians. Individuals from our product development group may also be used as a resource in responding to certain product inquiries.

Internationally, we market our Core Companion Animal Health products to veterinarians primarily through third-party veterinary diagnostic laboratories, independent third-party distributors and Novartis Agro K.K., Tokyo ("Novartis Japan"). These entities typically provide customer support. Novartis Japan exclusively markets and distributes SOLO STEP CH in Japan.

All OVP products are marketed and sold by third parties under third party labels.

We grant third parties rights to our intellectual property as well as our products, with our compensation often taking the form of royalties and/or milestone payments.

Manufacturing

The majority of our revenue is from proprietary products manufactured by third parties. Third parties manufacture our veterinary instruments, including affiliated consumables and supplies, as well as other products including key components of our heartworm point-of-care diagnostic tests. Our chemistry instruments and affiliated supplies are manufactured under contract with FUJIFILM. Our hematology instruments and affiliated supplies are manufactured under contract with Boule. Our digital radiography products are supplied under contract with Cuattro, LLC, which typically buys its hardware products and components from third parties. Key components of our heartworm point-of-care diagnostic tests are manufactured under a contract with Quidel. We manufacture and supply Quidel with certain critical raw materials and perform the final packaging operations for these products. Our facility in Des Moines, Iowa is a USDA, Food and Drug Administration ("FDA"), and Drug Enforcement Agency ("DEA") licensed biological and pharmaceutical manufacturing facility. This facility currently has the capacity to manufacture more than 50 million doses of vaccine each year. We expect that we will for the foreseeable future manufacture most or all of our biological and pharmaceutical products at this facility, as well as most or all of our recombinant proteins and other proprietary reagents for our diagnostic tests. We currently manufacture our canine heartworm prevention product, our allergy treatment products, our FELINE ULTRANASAL Vaccines and all our OVP segment products at this facility. Our OVP segment's customers purchase products in both finished and bulk format, and we perform all phases of manufacturing, including growth of the active bacterial and viral agents, sterile filling, lyophilization and packaging at this facility. We manufacture our various allergy diagnostic products at our Des Moines facility, our Loveland facility and our Fribourg facility. We believe the raw materials for products we manufacture are available from several sources.

Product Development

We are committed to providing innovative products to address health needs of companion animals. We may obtain such products from external sources, external collaboration or internal research and development.

We are committed to identifying external product opportunities and creating business and technical collaborations that lead to high value veterinary products. We believe that our active participation in scientific networks and our reputation for investing in research enhances our ability to acquire external product opportunities. We have collaborated, and intend to continue to do so, with a number of companies and universities. Examples of such collaborations include:

- Quidel for the development of SOLO STEP CH Cassettes, SOLO STEP CH Batch Test Strips and SOLO STEP FH Cassettes;
- Boule for the development of veterinary applications for the HEMATRUE Veterinary Hematology Analyzer and associated reagents; and
- FUJIFILM for the development of veterinary applications for the Element DC Veterinary Chemistry Analyzer and associated slides and supplies.

Internal research and development is managed on a case-by-case basis. We employ individuals with microbiology, immunology, genetics, biochemistry, molecular biology, parasitology as well as veterinary expertise and will form multidisciplinary product-associated teams as appropriate. We incurred expenses of $1.6 million, $1.7 million and $1.0 million in the years ended December 31, 2010, 2011 and 2012, respectively, in support of our research and development activities.

Intellectual Property

We believe that patents, trademarks, copyrights and other proprietary rights are important to our business. We also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position. The proprietary technologies of our OVP segment are primarily protected through trade secret protection of, for example, our manufacturing processes in this area.

We actively seek patent protection both in the United States and abroad. Our issued and pending patent portfolios primarily relate to heartworm control, flea control, allergy, infectious disease vaccines, diagnostic and detection tests, immunomodulators, instrumentation, nutrition, pain control and vaccine delivery technologies. As of December 31, 2012, we owned, co-owned or had rights to 187 issued U.S. patents and 1 pending U.S. patent application expiring at various dates from July 2013 to May 2028. Applications corresponding to pending U.S. applications have been or will be filed in other countries. Our corresponding foreign patent portfolio as of December 31, 2012 included 137 issued patents and 9 pending applications in various foreign countries expiring at various dates from January 2014 to January 2027.

We also have obtained exclusive and non-exclusive licenses for numerous other patents held by academic institutions and biotechnology and pharmaceutical companies.

Seasonality

We expect to experience less seasonality than we have in the past due to factors including increased instrument consumable revenue, which does not tend to be seasonal, and changes in the timing of certain product promotions.

Government Regulation

Although the majority of our revenue is from the sale of unregulated items, many of our products or products that we may develop are, or may be, subject to extensive regulation by governmental authorities in the United States, including the USDA and the FDA, and by similar agencies in other countries. These regulations govern, among other things, the development, testing, manufacturing, labeling, storage, pre-market approval, advertising, promotion, sale and distribution of our products. Satisfaction of these requirements can take several years to achieve and the time needed to satisfy them may vary substantially, based on the type, complexity and novelty of the product. Any product that we develop must receive all relevant regulatory approval or clearances, if required, before it may be marketed in a particular country. The following summarizes the major U.S. government agencies that regulate animal health products:

- *USDA.* Vaccines and certain single use, point-of-care diagnostics are considered veterinary biologics and are therefore regulated by the Center for Veterinary Biologics, or CVB, of the USDA. Industry data indicate that it takes approximately four years and in excess of $1.0 million to license a conventional vaccine for animals from basic research through licensing. In contrast to vaccines, single use, point-of-care diagnostics can typically be licensed by the USDA in about two years, at considerably less cost. However, vaccines or diagnostics that use innovative materials, such as those resulting from recombinant DNA technology, usually require additional time to license. The USDA licensing process involves the submission of several data packages. These packages include information on how the product will be manufactured, information on the efficacy and safety of the product in laboratory and target animal studies and information on performance of the product in field conditions.
- *FDA.* Pharmaceutical products, which typically include synthetic compounds, are approved and monitored by the Center for Veterinary Medicine of the FDA. Industry data indicates that developing a new drug for animals requires approximately 4 to 6 years from initiation of a regulatory process to market introduction and costs approximately $4 to $6 million. Of this time, approximately three years is spent in animal studies and the regulatory review process. However, unlike human drugs, neither preclinical studies nor a sequential phase system of studies are required. Rather, for animal drugs, studies for safety and efficacy may be conducted immediately in the species for which the drug is intended. Thus, there is no required phased evaluation of drug performance, and the Center for Veterinary Medicine will review data at appropriate times in the drug development process. In addition, the time and cost for developing companion animal drugs may be significantly less than for drugs for livestock animals, which are estimated to be approximately 10 to 12 years from initiation of a regulatory process to market introduction and may have costs of approximately $10 to $12 million.
- *EPA.* Products that are applied topically to animals or to premises to control external parasites are regulated by the Environmental Protection Agency, or EPA.

After we have received regulatory licensing or approval for our products, numerous regulatory requirements typically apply. Among the conditions for certain regulatory approvals is the requirement that our manufacturing facilities or those of our third-party manufacturers conform to current Good Manufacturing Practices or other manufacturing regulations, which include requirements relating to quality control and quality assurance as well as maintenance of records and documentation. The USDA, FDA and foreign regulatory authorities strictly enforce manufacturing regulatory requirements through periodic inspections and/or reports.

A number of our animal health products are not regulated. For example, certain products such as our ALLERCEPT panels, as well as other reference lab tests, are not regulated by either the USDA or FDA. Similarly, none of our veterinary instruments requires regulatory approval to be marketed and sold in the United States.

We have pursued regulatory approval outside the United States based on market demographics of foreign countries. For marketing outside the United States, we are subject to foreign regulatory requirements governing regulatory licensing and approval for many of our products. Licensing and approval by comparable regulatory authorities of foreign countries must be obtained before we can market products in those countries. Product licensing approval processes and requirements vary from country to country and the time required for such approvals may differ substantially from that required in the United States. We cannot be certain that approval of any of our products in one country will result in approvals in any other country. To date, we or our distributors have sought regulatory approval for certain of our products in Canada, which is governed by the Canadian Center for Veterinary Biologics, or CCVB; in Japan, which is governed by the Japanese Ministry of Agriculture, Forestry and Fisheries, or MAFF; in Australia, which is governed by the Australian Department of Agriculture, Fisheries and Forestry, or ADAFF; South Africa, which is governed by the Republic of South Africa Department of Agriculture, or RSADA; and in certain other countries requiring such approval.

Core Companion Animal Health products previously discussed which have received regulatory approval in the United States and/or elsewhere are summarized below.

Products	Country	Regulated	Agency	Status
ALLERCEPT Allergy Treatment Sets	United States	Yes	USDA	Licensed
FELINE ULTRANASAL FVRC Vaccine	United States	Yes	USDA	Licensed
	Canada	Yes	CCVB	Licensed
	South Africa	Yes	RSADA	Licensed
FELINE ULTRANASAL FVRCP Vaccine	United States	Yes	USDA	Licensed
	Canada	Yes	CCVB	Licensed
	South Africa	Yes	RSADA	Licensed
SOLO STEP CH	United States	Yes		
	EU	No-in most countries	USDA	Licensed
	Canada	Yes	CCVB	Licensed
	Japan	Yes	MAFF	Licensed
	Australia	Yes	ADAFF	Licensed
SOLO STEP CH Batch Test Strips	United States	Yes	USDA	Licensed
	Canada	Yes	CCVB	Licensed
SOLO STEP FH	United States	Yes	USDA	Licensed
	Canada	Yes	CCVB	Licensed
	Australia	Yes	ADAFF	Licensed
TRI-HEART Plus Heartworm Preventive	United States	Yes	FDA	Licensed
	Japan	Yes	MAFF	Licensed
	South Korea	Yes	NVRQS	Licensed

Competition

Our market is intensely competitive. Our competitors include independent animal health companies and major pharmaceutical companies that have animal health divisions. We also compete with independent, third-party distributors, including distributors who sell products under their own private labels. In the point-of-care diagnostic testing market, our major competitors include IDEXX Laboratories, Inc. ("IDEXX"), Abaxis, Inc. ("Abaxis") and Synbiotics Corporation ("Synbiotics"), a unit of Zoetis Inc. ("Zoetis"). The products manufactured by our OVP segment for sale by third parties compete with similar products offered by a number of other companies, some of which have substantially greater financial, technical, research and other resources than us and may have more established marketing, sales, distribution and service organizations than our OVP segment's customers. Companies with a significant presence in the animal health market such as Bayer AG, CEVA Santé Animale, Eli Lilly and Company, Merck & Co., Inc. ("Merck"), Novartis AG, sanofi-aventis, Vétoquinol S.A., Virbac S.A. and Zoetis (a company majority-owned by Pfizer Inc.) may be marketing or developing products that compete with our products or would compete with them if successfully developed. These and other competitors and potential competitors may have substantially greater financial, technical, research and other resources and larger, more established marketing, sales, distribution and service organizations than we do. Our competitors may offer broader product lines and have greater name recognition than we do.

Environmental Regulation

In connection with our product development activities and manufacturing of our biological, pharmaceutical and diagnostic and detection products, we are subject to federal, state and local laws, rules, regulations and policies governing the use, generation, manufacture, storage, handling and disposal of certain materials, biological specimens and wastes. Although we believe that we have complied with these laws, regulations and policies in all material respects and have not been required to take any significant action to correct any noncompliance, we may be required to incur significant costs to comply with environmental and health and safety regulations in the future. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. In the event of such an accident, we could be held liable for any damages that result and any such liability could exceed our resources.

Employees

As of December 31, 2012, we and our subsidiaries employed 280 people, of whom 127 were focused in production and technical and logistical services, including instrumentation service, 102 in sales, marketing and customer support, 45 in general administrative services, such as accounting, and 6 in product development. We believe that our ability to attract and retain skilled personnel is critical to our success. None of our employees is covered by a collective bargaining agreement, and we believe our employee relations are good.

Where You Can Find Additional Information

You may review a copy of this annual report on Form 10-K, including exhibits and any schedule filed therewith, and obtain copies of such materials at prescribed rates, at the Securities and Exchange Commission's Public Reference Room in Room 1580, 100 F Street, NE, Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains a website (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants, such as Heska Corporation, that file electronically with the Securities and Exchange Commission.

Executive Officers of the Registrant

Our executive officers and their ages as of March 14, 2013 are as follows:

Name	Age	Position
Robert B. Grieve, Ph.D.	61	Chairman of the Board and Chief Executive Officer
Kevin S. Wilson	41	President and Chief Operating Officer
Jason A. Napolitano	44	Executive Vice President, Chief Financial Officer and Secretary
Michael J. McGinley, Ph.D.	52	President, Biologicals & Pharmaceuticals
Nancy Wisnewski, Ph.D.	50	Executive Vice President, Product Development and Customer Support
Joseph P. Aperfine, Jr.	52	Executive Vice President, Companion Animal Health Sales
Steven M. Asakowicz	47	Executive Vice President, Companion Animal Health Sales
Rodney A. Lippincott	39	Executive Vice President, Companion Animal Health Sales
Michael A. Bent	58	Vice President, Principal Accounting Officer and Controller

Robert B. Grieve, Ph.D., one of our founders, currently serves as Chief Executive Officer and Chairman of the Board. Dr. Grieve was named Chief Executive Officer effective January 1, 1999, Vice Chairman effective March 1992 and Chairman of the Board effective May 2000. Dr. Grieve also served as Chief Scientific Officer from December 1994 to January 1999 and Vice President, Research and Development, from March 1992 to December 1994. He has been a member of our Board of Directors since 1990. He holds a Ph.D. degree from the University of Florida and M.S. and B.S. degrees from the University of Wyoming.

Kevin S. Wilson was appointed our President and Chief Operating Officer in February 2013. Mr. Wilson is a founder, member and officer of Cuattro, LLC. Since 2008, he has been involved in developing technologies for radiographic imaging with Cuattro, LLC and as a founder of Cuattro Software, LLC, Cuattro Medical, LLC and Cuattro Veterinary, LLC. Mr. Wilson served on the board of various private, non-profit, and educational organizations from 2005 to 2011. He was a founder of Sound Technologies, Inc., a diagnostic imaging company, in 1996. After Sound Technologies, Inc. was sold to VCA Antech, Inc. in 2004, Mr. Wilson served as Chief Strategy Officer for VCA Antech, Inc. until 2006. Mr. Wilson attended Saddleback College.

Jason A. Napolitano was appointed Executive Vice President and Chief Financial Officer in May 2002. He was appointed our Secretary in February 2009. He also served as our Secretary from May 2002 to December 2006. Prior to joining us formally, he was a financial consultant. From 1990 to 2001, Mr. Napolitano held various positions at Credit Suisse First Boston, an investment bank, including Vice President in health care investment banking and Director in mergers and acquisitions. He holds a B.S. degree from Yale University.

Michael J. McGinley, Ph.D. was appointed President, Biologicals & Pharmaceuticals in February 2013. He previously served as President and Chief Operating Officer from January 2009 to February 2013, Vice President, Global Operations from April through December 2008, Vice President, Operations and Technical Affairs and General Manager, Heska Des Moines from January 2002 to April 2008 and in other positions beginning in June 1997. Prior to joining the Company, Dr. McGinley held positions with Bayer Animal Health and Fort Dodge Laboratories. He holds Ph.D. and M.S. degrees in Immunobiology from Iowa State University and successfully completed the Advanced Management Program at the Harvard Business School in 2008.

Nancy Wisnewski, Ph.D. was appointed Executive Vice President, Product Development and Customer Support in April 2011. She served as Vice President, Product Development and Technical Customer Service from December 2006 to April 2011. From January 2006 to November 2006, Dr. Wisnewski was Vice President, Research and Development. Dr. Wisnewski held various positions in Heska's Research and Development organization between 1993 and 2005. She holds a Ph.D. in Parasitology/Biochemistry from the University of Notre Dame and a B.S. in Biology from Lafayette College.

Joseph P. Aperfine, Jr. was appointed Executive Vice President, Companion Animal Health Sales in February 2013. He previously served as Executive Vice President, Sales and Marketing from May 2011 to February 2013. Prior to joining the Company, Mr. Aperfine held positions with Banfield The Pet Hospital ("Banfield"), most recently as Chief Learning Officer. Mr. Aperfine was an officer of Banfield since September 2004. Mr. Aperfine was Chief Operating Officer at Merlin Digital Technology, a diagnostic imaging and telemedicine business which shared management and ownership with Banfield, from September 2004 until Merlin's sale in March 2009. He was Vice President of Sales for Novartis Animal Health from May 2003 to September 2004. Mr. Aperfine was employed by IDEXX Laboratories, Inc. in various positions from March 1996 to May 2003. He holds a B.S. in Engineering from the United States Military Academy and is a former U.S. Army Ranger.

Steven M. Asakowicz was appointed Executive Vice President, Companion Animal Health Sales in February 2013. From July 2011 to February 2013, he was employed by Cuattro, LLC as Vice President, Sales – US Veterinary and sold exclusively on behalf of Cuattro Veterinary USA, LLC. Mr. Asakowicz previously worked as Sales Director for Sound Technologies, Inc. ("Sound") from November 2002 to June 2011, including after Sound was acquired by VCA Antech, Inc. in 2004. Mr. Asakowicz holds a B.A. degree from San Diego State University.

Rodney A. Lippincott was appointed Executive Vice President, Companion Animal Health Sales in February 2013. From July 2011 to February 2013, he was employed by Cuattro, LLC as Vice President, Sales – US Veterinary and sold exclusively on behalf of Cuattro Veterinary USA, LLC. Mr. Lippincott held various positions including Sales Director for Sound Technologies, Inc., a unit of VCA Antech, Inc., from September 2007 to June 2011. Prior to entering the animal health market, Mr. Lippincott spent 13.5 years employed by Smith Micro Software, Inc. and held positions including US and International Sales Manager and Director of Marketing. Mr. Lippincott attended Saddleback College and completed the Executive Education Marketing Management Program at Stanford University, Graduate School of Business.

Michael A. Bent was appointed Vice President, Principal Accounting Officer and Controller in May 2002. From September 1999 until April 2002, he was Corporate Controller. From November 1993 until September 1999, Mr. Bent was Director, Accounting Operations at Coors Brewing Company. Mr. Bent holds a B.S. in accounting from the University of Wyoming. Mr. Bent is a CPA in Colorado and Wyoming.

Item 1A. Risk Factors

Our future operating results may vary substantially from period to period due to a number of factors, many of which are beyond our control. The following discussion highlights some of these factors and the possible impact of these factors on future results of operations. The risks and uncertainties described below are not the only ones we face. Additional risks or uncertainties not presently known to us or that we deem to be currently immaterial also may impair our business operations. If any of the following factors actually occur, our business, financial condition or results of operations could be harmed. In that case, the price of our Public Common Stock could decline and you could experience losses on your investment.

Our February 2013 acquisition of a 54.6% majority interest (the "Acquisition") in Cuattro Veterinary USA, LLC, which has been renamed Heska Imaging US, LLC, is subject to various puts and calls and other provisions which could be detrimental to the interests of our shareholders.

Under the Amended and Restated Operating Agreement of Heska Imaging US, LLC (the "Operating Agreement"), for up to 18 months following the Acquisition, the unit holders of the 45.4% of Heska Imaging we do not own (the "Imaging Minority") may repurchase our 54.6% interest in Heska Imaging at a premium to our Acquisition purchase price under a call option we have granted the Imaging Minority. Through the first year anniversary of the Acquisition, such repurchase may be made at 1.3 times our purchase price and following the first year anniversary of the Acquisition and through the 18-month anniversary of the Acquisition, such repurchase may be made at 1.45 times our purchase price. Furthermore, the Imaging Minority may deliver any Heska shares resulting from and held since the Acquisition as consideration, with such shares to be valued based on market value, although not less than $5 per share. Should the Imaging Minority exercise this call, it could be significantly disruptive to our business and if Heska Imaging represents a significant portion of our revenue and earnings at the time of such exercise, our stock price could decline significantly following such exercise. Furthermore, should Heska stock have appreciated significantly, the Imaging Minority might not have to repay some or all of the cash we paid in the Acquisition, or even deliver all the shares we issued in the Acquisition. In addition, if our stock price has declined below $5 per share prior to the time of exercise, we may not realize the full economic premium (either 1.3 or 1.45), or any premium, anticipated in the repurchase. In addition, should our stock price decline enough, we could be placed in a position where the repurchase is at an economic discount to our purchase price.

Under the Operating Agreement, should Heska Imaging meet certain performance criteria, the Imaging Minority has been granted a put option to sell us some or all of the Imaging Minority's position in Heska Imaging following the audit of our financial statements in 2015, 2016 and 2017. Based on Heska Imaging's current ownership position, this put option could require us to deliver up to $17.0 million following calendar year 2015, $25.5 million following calendar year 2016 and $36.9 million following calendar year 2017 (any applicable payment to be defined as the "Put Payment") to acquire the outstanding minority interest in Heska Imaging. While we have the right to deliver up to 55% of the consideration in our Public Common Stock under certain circumstances, such stock is to be valued based on 90% of market value (the "Delivery Stock Value") and is limited to approximately 650 thousand shares in any case. If the Delivery Stock Value is less than the market value of our Public Common Stock at the time of the Acquisition, we do not have the right to deliver any Public Common Stock as consideration. Cash required under any Put Payment could put a significant strain on our financial position or require us to raise additional capital. There is no guarantee that additional capital will be available in such a circumstance on reasonable terms, if at all. We may be unable to obtain debt financing, the public markets may be unreceptive to equity financing and we may not be able to obtain financing from other alternative sources, such as private equity. Any debt financing, if available, may include restrictive covenants and high interest rates and any equity financing would likely be dilutive to stockholders in this scenario. If additional funds are required and are not available, it would likely have a material adverse effect on our business, financial condition and our ability to continue as a going concern.

Under the Operating Agreement, should Heska Imaging meet certain performance criteria, and the Imaging Minority fail to exercise an applicable put to sell us all of the Imaging Minority's position in Heska Imaging following the audit of our financial statements in 2015, 2016 and 2017, we would have a call option to purchase all, but not less than all, of the Imaging Minority's position in Heska Imaging. Based on Heska Imaging's current ownership position, exercising this call option could require us to deliver up to $19.6 million following calendar year 2015, $29.4 million following calendar year 2016 or $42.4 million following calendar year 2017 (any applicable payment to be defined as the "Call Payment") to acquire the outstanding minority interest in Heska Imaging. While we have the right to deliver up to 55% of the consideration in our Public Common Stock under certain circumstances, such stock is to be valued based on 90% of market value (the "Delivery Stock Value") and is limited to approximately 650 thousand shares in any case. If the Delivery Stock Value is less than the market value of our stock at the time of the Acquisition, we do not have the right to deliver any Public Common Stock as consideration. If we believe it is desirable to exercise any one of these calls, cash required under the Call Payment could put a significant strain on our financial position or require us to raise additional capital. There is no guarantee that additional capital will be available in such a circumstance on reasonable terms, if at all. If we believe it is desirable to exercise any such call, determine we are unable to economically finance the Call Payment and do not exercise the call as a result, we could be subject to a more expensive Put Payment less than a year in the future. In this circumstance, unless there is a significant change in our financial position or market conditions, such a Put Payment could have a material adverse effect on our business, financial condition and our ability to continue as a going concern.

Under and as defined in the Operating Agreement, should we undergo a change in control prior to the end of 2017, the Imaging Minority will be entitled to sell their Heska Imaging units to us for cash at the highest call value they otherwise could have obtained (the "Change in Control Payment"). If Heska Imaging meets certain minimum performance criteria, this will be $42.4 million until at least the end of 2015. The Change in Control Payment may materially decrease the interest of third parties in acquiring the Company or a majority of the Company's shares, which could otherwise have occurred at a significant premium to the Company's then current market price for the benefit of some or all of our shareholders. This could make some investors less likely to buy and hold our stock.

Under the terms of the Operating Agreement, Heska Imaging will be managed by a three-person board of managers, two of which are to be appointed by Heska Corporation and one of which is to be appointed by Mr. Wilson. Dr. Grieve, Mr. Wilson and Mr. Napolitano are the current board of managers. Until the earlier of (1) our acquiring 100% of the units of Heska Imaging pursuant to the puts and/or calls discussed above or (2) the sixth anniversary of the acquisition, Heska Imaging may only take the following actions, among others, by unanimous consent of the board of managers: (i) issue securities, (ii) incur, guarantee, prepay, refinance, renew, modify or extend debt, (iii) enter into material contracts, (iv) hire or terminate an officer or amend the terms of their employment, (v) make a distribution other than a tax or liquidation distribution, (vi) enter into a material acquisition or disposition arrangement or a merger, (vii) lease or acquire an interest in real property, (viii) convert or reorganize Heska Imaging, or (ix) amend its certificate of formation or the Heska Imaging Agreement. This unanimous consent provision may hinder our ability to optimize the value of its investment in Heska Imaging in certain circumstances.

Mr. Wilson's employment agreement with us requires that he devote 80% of his working hours' attention, skills, time and business efforts to Heska Corporation. However, Mr. Wilson has business interests in Cuattro, LLC, Cuattro Software, LLC, Cuattro Medical, LLC and Cuattro Veterinary, LLC which may require a portion of his time, resources and attention in the remaining 20% of his working hours. If Mr. Wilson is distracted by these or other business interests, he may not contribute as much as he otherwise would have to enhancing our business, to the detriment of our shareholder value. In addition, including shares held by his wife and by trusts for the benefit of his children and family, Mr. Wilson also owns a 100% interest in Cuattro, LLC, the largest supplier to Heska Imaging. While the terms of both the Amended and Restated Master License Agreement and the Supply Agreement between Heska Imaging and Cuattro, LLC were negotiated at arm's length as part of the Acquisition, Mr. Wilson has an interest in these agreements and any time and resources devoted to monitoring and overseeing this relationship may prevent us from deploying such time and resources on more productive matters.

Mr. Wilson's wife, Mr. Asakowicz, Mr. Lippincott, Mr. Wilson and Cuattro, LLC own approximately 29.75%, 4.09%, 3.07%, 0.05% and 0.05% of Heska Imaging, respectively, are each a member of Heska Imaging, and each have an interest in the puts and calls discussed above. If Mr. Wilson, Mr. Asakowicz or Mr. Lippincott is distracted by these holdings or interests, they may not contribute as much as they otherwise would have to enhancing our business, to the detriment of our shareholder value. While the Operating Agreement was negotiated at arm's length as part of the Acquisition, and requires that none of the members shall cause Heska Imaging to operate its business in any manner other than the ordinary course of business, any time and resources devoted to monitoring and overseeing this relationship may prevent us from deploying such time and resources on more productive matters.

In addition, like any acquisition, if Heska Imaging significantly underperforms our financial expectations, it may serve to diminish rather than enhance shareholder value.

We may be unable to market and sell our products successfully.

We may not develop and maintain marketing and/or sales capabilities successfully, and we may not be able to make arrangements with third parties to perform these activities on satisfactory terms. If our marketing and sales strategy is unsuccessful, our ability to sell our products will be negatively impacted and our revenues will decrease. This could result in the loss of distribution rights for products or failure to gain access to new products and could cause damage to our reputation and adversely affect our business and future prospects.

We believe the recent worldwide economic weakness has had a negative effect on our business, and this may continue in the future. This is particularly notable in the sale of new instruments, which is a capital expenditure many, if not most, veterinarians may choose to defer in times of perceived economic weakness. Even if the overall economy begins to grow in the future, there may be a lag before veterinarians display confidence such growth will continue and return to historical capital expenditure purchasing patterns. As the vast majority of cash flow to veterinarians ultimately is funded by pet owners without private insurance or government support, our business may be more susceptible to severe economic downturns than other health care businesses which rely less on individual consumers.

The market for companion animal healthcare products is highly fragmented. Because our CCA proprietary products are generally available only to veterinarians or by prescription and our medical instruments require technical training to operate, we ultimately sell all our CCA products primarily to or through veterinarians. The acceptance of our products by veterinarians is critical to our success. Changes in our ability to obtain or maintain such acceptance or changes in veterinary medical practice could significantly decrease our anticipated sales.

We believe that currently one of our largest competitors, IDEXX, in effect prohibits all of its distributors except for MWI Veterinary Supply, Inc. ("MWI") from selling certain competitive products, including our blood testing instruments and heartworm diagnostic tests. This situation may hinder our ability to sell and market our products if these distributors are increasingly successful. While we have an agreement with MWI to sell our blood testing instruments and heartworm diagnostic tests, there can be no assurance this agreement will prove to be ultimately successful in enhancing our profitability or market presence.

The loss of significant customers who, for example, are historically large purchasers or who are considered leaders in their field could damage our business and financial results.

No single customer accounted for more than 10% of our consolidated revenue for the year ended December 31, 2012. Revenue from Merck entities, including Merck Animal Health, represented approximately 13% and 13% of our consolidated revenue for the twelve months ended December 31, 2011 and 2010. One customer accounted for approximately 29% of our consolidated accounts receivable at December 31, 2012. No single customer accounted for more than 10% of our consolidated accounts receivable at December 31, 2011 or 2010.

The loss of significant customers who, for example, are historically large purchasers or who are considered leaders in their field could damage our business and financial results.

We operate in a highly competitive industry, which could render our products obsolete or substantially limit the volume of products that we sell. This would limit our ability to compete and maintain sustained profitability.

The market in which we compete is intensely competitive. Our competitors include independent animal health companies and major pharmaceutical companies that have animal health divisions. We also compete with independent, third-party distributors, including distributors who sell products under their own private labels. In the point-of-care diagnostic testing market, our major competitors include IDEXX, Abaxis, and Synbiotics, a unit of Zoetis. The products manufactured by our OVP segment for sale by third parties compete with similar products offered by a number of other companies, some of which have substantially greater financial, technical, research and other resources than us and may have more established marketing, sales, distribution and service organizations than those of our OVP segment's customers. Competitors may have facilities with similar capabilities to our OVP segment, which they may operate and sell at a lower unit price to customers than our OVP segment does, which could cause us to lose customers. Companies with a significant presence in the companion animal health market, such as Bayer AG, CEVA Santé Animale, Eli Lilly and Company, Merck, Novartis AG, sanofi-aventis, Vétoquinol S.A., Virbac S.A. and Zoetis (a company majority-owned by Pfizer Inc.) may be marketing or developing products that compete with our products or would compete with them if developed. These and other competitors and potential competitors may have substantially greater financial, technical, research and other resources and larger, more established marketing, sales and service organizations than we do. Our competitors may offer broader product lines and have greater name recognition than we do. For example, if Zoetis and/or Pfizer devotes its significant commercial and financial resources to growing Synbiotics' market share, our sales could suffer significantly. Our competitors may also develop or market technologies or products that are more effective or commercially attractive than our current or future products or that would render our technologies and products obsolete. Further, additional competition could come from new entrants to the animal health care market. Moreover, we may not have the financial resources, technical expertise or marketing, sales or support capabilities to compete successfully. We believe that currently one of our largest competitors, IDEXX, in effect prohibits all of its distributors except one from selling certain competitive products, including our blood testing instruments and heartworm diagnostic tests. Another of our competitors, Abaxis, recently launched a veterinary diagnostic laboratory offering which may serve to intensify competition and lower our margins.

If we fail to compete successfully, our ability to achieve sustained profitability will be limited and sustained profitability, or profitability at all, may not be possible.

We may not be able to continue to achieve sustained profitability or increase profitability on a quarterly or annual basis.

Prior to 2005, we incurred net losses on an annual basis since our inception in 1988 and, as of December 31, 2012, we had an accumulated deficit of $170.0 million. We have achieved only two quarters with income before income taxes greater than $1.5 million. Accordingly, relatively small differences in our performance metrics may cause us to generate an operating or net loss in future periods. Our ability to continue to be profitable in future periods will depend, in part, on our ability to increase sales in our CCA segment, including maintaining and growing our installed base of instruments and related consumables, to maintain or increase gross margins and to limit the increase in our operating expenses to a reasonable level as well as avoid or effectively manage any unanticipated issues. We may not be able to generate, sustain or increase profitability on a quarterly or annual basis. If we cannot achieve or sustain profitability for an extended period, we may not be able to fund our expected cash needs, including the repayment of debt as it comes due, or continue our operations.

We rely substantially on third-party suppliers. The loss of products or delays in product availability from one or more third-party suppliers could substantially harm our business.

To be successful, we must contract for the supply of, or manufacture ourselves, current and future products of appropriate quantity, quality and cost. Such products must be available on a timely basis and be in compliance with any regulatory requirements. Similarly, we must provide ourselves, or contract for the supply of certain services. Such services must be provided in a timely and appropriate manner. Failure to do any of the above could substantially harm our business.

We rely on third-party suppliers to manufacture those products we do not manufacture ourselves and to provide services we do not provide ourselves. Proprietary products provided by these suppliers represent a majority of our revenue. We currently rely on these suppliers for our veterinary instruments and consumable supplies for these instruments, for key components of our point-of-care diagnostic tests as well as for the manufacture of other products.

The loss of access to products from one or more suppliers could have a significant, negative impact on our business. Major suppliers who sell us proprietary products which are responsible for more than 5% of our 2012 revenue are Boule, FUJIFILM and Quidel. None of these suppliers sold us proprietary products which were responsible for more than 25% of our 2012 revenue, although the proprietary products of one of these suppliers was responsible for more than 20% of our 2012 revenue and each of the two others was responsible for more than 10% of our 2012 revenue. In addition, if we had made the Acquisition as of January 1, 2012, we estimate Cuattro, LLC would have supplied us with products and services representing more than 10% but less than 15% of our revenue. We often purchase products from our suppliers under agreements that are of limited duration or potentially can be terminated on an annual basis. In the case of our major veterinary blood testing instruments and our digital radiography solutions we are typically entitled to non-exclusive access to consumable supplies, or ongoing non-exclusive access to products and services to meet the needs of an existing customer base respectively, for a defined period upon expiration of exclusive rights, which could subject us to competitive pressures in the period of non-exclusive access. Although we believe we will be able to maintain supply of our major product and service offerings in the near future, there can be no assurance that our suppliers will meet their obligations under any agreements we may have in place with them or that we will be able to compel them to do so. Risks of relying on suppliers include:

- *Inability to meet minimum obligations.* Current agreements, or agreements we may negotiate in the future, may commit us to certain minimum purchase or other spending obligations. It is possible we will not be able to create the market demand to meet such obligations, which could create a drain on our financial resources and liquidity. Some such agreements may require minimum purchases and/or sales to maintain product rights and we may be significantly harmed if we are unable to meet such requirements and lose product rights.

- *Loss of exclusivity.* In the case of our veterinary blood testing instruments, if we are entitled to non-exclusive access to consumable supplies for a defined period upon expiration of exclusive rights, we may face increased competition from a third party with similar non-exclusive access or our former supplier, which could cause us to lose customers and/or significantly decrease our margins and could significantly affect our financial results. In addition, current agreements, or agreements we may negotiate in the future, with suppliers may require us to meet minimum annual sales levels to maintain our position as the exclusive distributor of these products. We may not meet these minimum sales levels and maintain exclusivity over the distribution and sale of these products. If we are not the exclusive distributor of these products, competition may increase significantly, reducing our revenues and/or decreasing our margins.
- *Changes in economics.* An underlying change in the economics with a supplier, such as a large price increase or new requirement of large minimum purchase amounts, could have a significant, adverse effect on our business, particularly if we are unable to identify and implement an alternative source of supply in a timely manner.
- *The loss of product rights upon expiration or termination of an existing agreement.* Unless we are able to find an alternate supply of a similar product, we would not be able to continue to offer our customers the same breadth of products and our sales and operating results would likely suffer. In the case of an instrument supplier, we could also potentially suffer the loss of sales of consumable supplies, which would be significant in cases where we have built a significant installed base, further harming our sales prospects and opportunities. Even if we were able to find an alternate supply for a product to which we lost rights, we would likely face increased competition from the product whose rights we lost being marketed by a third party or the former supplier and it may take us additional time and expense to gain the necessary approvals and launch an alternative product.
- *High switching costs.* In our blood testing instrument products we could face significant competition and lose all or some of the consumable revenues from the installed base of those instruments if we were to switch to a competitive instrument. If we need to change to other commercial manufacturing contractors for certain of our regulated products, additional regulatory licenses or approvals generally must be obtained for these contractors prior to our use. This would require new testing and compliance inspections prior to sale thus resulting in potential delays. Any new manufacturer would have to be educated in, or develop, substantially equivalent processes necessary for the production of our products. We likely would have to train our sales force, distribution network employees and customer support organization on the new product and spend significant funds marketing the new product to our customer base.
- *The involuntary or voluntary discontinuation of a product line.* Unless we are able to find an alternate supply of a similar product in this or similar circumstances with any product, we would not be able to continue to offer our customers the same breadth of products and our sales would likely suffer. Even if we are able to identify an alternate supply, it may take us additional time and expense to gain the necessary approvals and launch an alternative product, especially if the product is discontinued unexpectedly.
- *Inconsistent or inadequate quality control.* We may not be able to control or adequately monitor the quality of products we receive from our suppliers. Poor quality items could damage our reputation with our customers.

- *Limited capacity or ability to scale capacity.* If market demand for our products increases suddenly, our current suppliers might not be able to fulfill our commercial needs, which would require us to seek new manufacturing arrangements and may result in substantial delays in meeting market demand. If we consistently generate more demand for a product than a given supplier is capable of handling, it could lead to large backorders and potentially lost sales to competitive products that are readily available. This could require us to seek or fund new sources of supply, which may be difficult to find or under terms that are less advantageous if available.
- *Regulatory risk.* Our manufacturing facility and those of some of our third-party suppliers are subject to ongoing periodic unannounced inspection by regulatory authorities, including the FDA, USDA and other federal, state and foreign agencies for compliance with strictly enforced Good Manufacturing Practices, regulations and similar foreign standards. We do not have control over our suppliers' compliance with these regulations and standards. Regulatory violations could potentially lead to interruptions in supply that could cause us to lose sales to readily available competitive products.
- *Developmental delays.* We may experience delays in the scale-up quantities needed for product development that could delay regulatory submissions and commercialization of our products in development, causing us to miss key opportunities.
- *Limited intellectual property rights.* We typically do not have intellectual property rights, or may have to share intellectual property rights, to the products supplied by third parties and any improvements to the manufacturing processes or new manufacturing processes for these products.

Potential problems with suppliers such as those discussed above could substantially decrease sales, lead to higher costs and/or damage our reputation with our customers due to factors such as poor quality goods or delays in order fulfillment, resulting in our being unable to sell our products effectively and substantially harm our business.

If the third parties to whom we granted substantial marketing rights for certain of our existing products or future products under development are not successful in marketing those products, then our sales and financial position may suffer.

Our agreements with our corporate marketing partners generally contain no or small minimum purchase requirements in order for them to maintain their exclusive marketing rights. We are party to an agreement with Merck Animal Health, which grants Merck Animal Health exclusive distribution and marketing rights for our canine heartworm preventive product, TRI-HEART Plus Chewable Tablets, ultimately sold to or through veterinarians in the United States. Novartis Japan markets and distributes our SOLO STEP CH heartworm test in Japan under an exclusive arrangement. AgriLabs has the non-exclusive right to sell certain of our bovine vaccines in the United States, Africa and Mexico and currently generates the majority of our sales of those vaccines in those territories. One or more of these marketing partners may not devote sufficient resources to marketing our products and our sales and financial position could suffer significantly as a result. Revenue from Merck entities, including Merck Animal Health, represented 9% of our 2012 revenue. If Merck Animal Health personnel fail to market, sell and support our heartworm preventive sufficiently, our sales could decline significantly. Furthermore, there may be nothing to prevent these partners from pursuing alternative technologies or products that may compete with our products in current or future agreements. For example, we believe a unit of Merck has obtained FDA approval for a canine heartworm preventive product with additional claims compared with our TRI-HEART Plus Chewable Tablets, which we believe is not currently being marketed actively. Should Merck decide to emphasize sales and marketing efforts of this product rather than our TRI-HEART Plus Chewable Tablets or cancel our agreement regarding canine heartworm preventive distribution and marketing, our sales could decline significantly. In the future, third-party marketing assistance may not be available on reasonable terms, if at all. If any of these events occur, we may not be able to maintain our current market share or commercialize our products and our sales will decline accordingly.

If we are unable to maintain various financial and other covenants required by our credit facility agreement we will be unable to borrow any funds under the agreement and fund our operations.

Under our credit and security agreement with Wells Fargo, we are required to comply with various financial and non-financial covenants in order to borrow under the agreement. The availability of borrowings under this agreement may be important to continue to fund our operations. Among the financial covenants is a requirement to maintain minimum liquidity (cash plus excess borrowing base) of $1.5 million. Additional requirements include covenants for minimum capital monthly and minimum net income quarterly. Although we believe we will be able to maintain compliance with all these covenants and any covenants we may negotiate in the future, there can be no assurance thereof. We have not always been able to maintain compliance with all covenants under our credit and security agreement with Wells Fargo. Although Wells Fargo granted us a waiver of non-compliance in each case, there can be no assurance we will be able to obtain similar waivers or other modifications if needed in the future on economic terms, if at all. Failure to comply with any of the covenants, representations or warranties, or failure to modify them to allow future compliance, could result in our being in default and could cause all outstanding borrowings under our credit and security agreement to become immediately due and payable, or impact our ability to borrow under the agreement. In addition, Wells Fargo has discretion in setting the advance rates which we may borrow against eligible assets. We may need to rely on available borrowings under the credit and security agreement to fund our operations in the future. If we are unable to borrow funds under this agreement, we will need to raise additional capital from other sources to continue our operations, which capital may not be available on acceptable terms, or at all.

Our future revenues depend on successful product development, commercialization and/or market acceptance, any of which can be slower than we expect or may not occur.

The product development and regulatory approval process for many of our potential products is extensive and may take substantially longer than we anticipate. Research projects may fail. New products that we may be developing for the veterinary marketplace may not perform consistent with our expectations. Because we have limited resources to devote to product development and commercialization, any delay in the development of one product or reallocation of resources to product development efforts that prove unsuccessful may delay or jeopardize the development of other product candidates. If we fail to successfully develop new products and bring them to market in a timely manner, our ability to generate additional revenue will decrease.

Even if we are successful in the development of a product or obtain rights to a product from a third-party supplier, we may experience delays or shortfalls in commercialization and/or market acceptance of the product. For example, veterinarians may be slow to adopt a product or there may be delays in producing large volumes of a product. The former is particularly likely where there is no comparable product available or historical use of such a product. The ultimate adoption of a new product by veterinarians, the rate of such adoption and the extent veterinarians choose to integrate such a product into their practice are all important factors in the economic success of one of our new products and are factors that we do not control to a large extent. If our products do not achieve a significant level of market acceptance, demand for our products will not develop as expected and our revenues will be lower than we anticipate. For example, our VitalPath Blood Gas and Electrolyte Analyzer generated less revenue than we anticipated following its launch in May 2010 as placements of this product with customers have not occurred as we expected.

We have historically not consistently generated positive cash flow from operations, may need additional capital and any required capital may not be available on reasonable terms or at all.

If our actual performance deviates from our operating plan, we may be required to raise additional capital in the future. If necessary, we expect to raise these additional funds by borrowing under our revolving line of credit, the sale of equity securities or the issuance of new term debt secured by the same assets as the term loans which we fully repaid in 2010. There is no guarantee that additional capital will be available from these sources on reasonable terms, if at all, and certain of these sources may require approval by existing lenders. Funds we expect to be available under our existing revolving line of credit may not be available and other lenders could refuse to provide us with additional debt financing. The public markets may be unreceptive to equity financings and we may not be able to obtain additional private equity or debt financing. Any equity financing would likely be dilutive to stockholders and additional debt financing, if available, may include restrictive covenants and increased interest rates that would limit our currently planned operations and strategies. We believe the credit markets are particularly restrictive and it may be more difficult to obtain funding versus recent history. Furthermore, even if additional capital is available, it may not be of the magnitude required to meet our needs under these or other scenarios. If additional funds are required and are not available, it would likely have a material adverse effect on our business, financial condition and our ability to continue as a going concern.

We depend on key personnel for our future success. If we lose our key personnel or are unable to attract and retain additional personnel, we may be unable to achieve our goals.

Our future success is substantially dependent on the efforts of our senior management and other key personnel. The loss of the services of members of our senior management or other key personnel may significantly delay or prevent the achievement of our business objectives. Although we have an employment agreement with many of these individuals, all are at-will employees, which means that either the employee or Heska may terminate employment at any time without prior notice. If we lose the services of, or fail to recruit, key personnel, the growth of our business could be substantially impaired. We do not maintain key person life insurance for any of our senior management or key personnel.

We may face costly legal disputes, including related to our intellectual property or technology or that of our suppliers or collaborators.

We may face legal disputes related to our business. Even if meritless, these disputes may require significant expenditures on our part and could entail a significant distraction to members of our management team or other key employees. We may have to use legal means to collect payment for goods shipped to third parties. A legal dispute leading to an unfavorable ruling or settlement could have significant material adverse consequences on our business.

We may become subject to patent infringement claims and litigation in the United States or other countries or interference proceedings conducted in the United States Patent and Trademark Office, or USPTO, to determine the priority of inventions. The defense and prosecution of intellectual property suits, USPTO interference proceedings and related legal and administrative proceedings are likely to be costly, time-consuming and distracting. As is typical in our industry, from time to time we and our collaborators and suppliers have received, and may in the future receive, notices from third parties claiming infringement and invitations to take licenses under third-party patents. Any legal action against us or our collaborators or suppliers may require us or our collaborators or suppliers to obtain one or more licenses in order to market or manufacture affected products or services. However, we or our collaborators or suppliers may not be able to obtain licenses for technology patented by others on commercially reasonable terms, or at all, may not be able to develop alternative approaches if unable to obtain licenses or current and future licenses may not be adequate, any of which could substantially harm our business.

We may also need to pursue litigation to enforce any patents issued to us or our collaborative partners, to protect trade secrets or know-how owned by us or our collaborative partners, or to determine the enforceability, scope and validity of the proprietary rights of others. Any litigation or interference proceeding will likely result in substantial expense to us and significant diversion of the efforts of our technical and management personnel. Any adverse determination in litigation or interference proceedings could subject us to significant liabilities to third parties. Further, as a result of litigation or other proceedings, we may be required to seek licenses from third parties which may not be available on commercially reasonable terms, if at all.

Interpretation of existing legislation, regulations and rules, including financial accounting standards, or implementation of future legislation, regulations and rules could cause our costs to increase or could harm us in other ways.

We prepare our financial statements in conformance with United States generally accepted accounting principles, or GAAP. These accounting principles are established by and are subject to interpretation by the SEC, the Financial Accounting Standards Board ("FASB") and others who interpret and create accounting policies. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions completed before a change is made effective. Such changes may adversely affect our reported financial results, the way we conduct our business or have a negative impact on us if we fail to track such changes. For example, we have found FASB's recent decision to codify the accounting standards has made it more difficult to research complex accounting matters, increasing the risk we will fail to account consistent with FASB rules in the future. Similarly, changes in the underlying circumstances which we apply given accounting standards and principles may affect our results of operations and have a negative impact on us.

The Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") has increased our required administrative actions and expenses as a public company since its enactment. The general and administrative costs of complying with Sarbanes-Oxley will depend on how it is interpreted over time. Of particular concern are the level of standards for internal control evaluation and reporting adopted under Section 404 of Sarbanes-Oxley. If our regulators and/or auditors adopt or interpret more stringent standards than we anticipate, we and/or our auditors may be unable to conclude that our internal controls over financial reporting are designed and operating effectively, which could adversely affect investor confidence in our financial statements. Even if we and our auditors are able to conclude that our internal controls over financial reporting are designed and operating effectively in such a circumstance, our general and administrative costs are likely to increase. In addition, if our stock market value increases to a certain level on June 30, we will be required to have our independent registered public accountant conduct an audit of our internal controls, which would increase our general and administrative costs. Similarly, we are required to comply with the SEC's mandate to provide interactive data using the eXtensible Business Reporting Language as an exhibit to certain SEC filings in 2013. Compliance with this mandate has required a significant time investment, which may have and may in the future preclude some of our employees from spending time on more productive matters. In addition, actions by other entities, such as enhanced rules to maintain our listing on the Nasdaq Capital Market, could also increase our general and administrative costs or have other adverse effects on us, as could further legislative, regulatory or rule-making action or more stringent interpretations of existing legislation, regulations and rules.

We often depend on third parties for products we intend to introduce in the future. If our current relationships and collaborations are not successful, we may not be able to introduce the products we intend to in the future.

We are often dependent on third parties and collaborative partners to successfully and timely perform research and development activities to successfully develop new products. For example, we jointly developed point-of-care diagnostic products with Quidel. In other cases, we have discussed Heska marketing in the veterinary market an instrument being developed by a third party for use in the human health care market. In the future, one or more of these third parties or collaborative partners may not complete research and development activities in a timely fashion, or at all. Even if these third parties are successful in their research and development activities, we may not be able to come to an economic agreement with them. If these third parties or collaborative partners fail to complete research and development activities, fail to complete them in a timely fashion, or if we are unable to negotiate economic agreements with such third parties or collaborative partners, our ability to introduce new products will be impacted negatively and our revenues may decline. For example, we have experienced delays compared to our expectations in our development of products in collaboration with Rapid Diagnostek, Inc.

Many of our expenses are fixed and if factors beyond our control cause our revenue to fluctuate, this fluctuation could cause greater than expected losses, cash flow and liquidity shortfalls.

We believe that our future operating results will fluctuate on a quarterly basis due to a variety of factors which are generally beyond our control, including:

- supply of products from third-party suppliers or termination, cancelation or expiration of such relationships;
- competition and pricing pressures from competitive products;
- the introduction of new products or services by our competitors or by us;
- large customers failing to purchase at historical levels;
- fundamental shifts in market demand;
- manufacturing delays;
- shipment problems;
- information technology problems, which may prevent us from conducting our business effectively, or at all, and may also raise our costs;
- regulatory and other delays in product development;
- product recalls or other issues which may raise our costs;
- changes in our reputation and/or market acceptance of our current or new products; and
- changes in the mix of products sold.

We have high operating expenses, including those related to personnel. Many of these expenses are fixed in the short term and may increase over the course of the coming year. If any of the factors listed above cause our revenues to decline, our operating results could be substantially harmed.

Obtaining and maintaining regulatory approvals in order to market our products may be costly and delay the marketing and sales of our products. Failure to meet all regulatory requirements could cause significant losses from affected inventory and the loss of market share.

Many of the products we develop, market or manufacture may subject us to extensive regulation by one or more of the USDA, the FDA, the EPA and foreign and other regulatory authorities. These regulations govern, among other things, the development, testing, manufacturing, labeling, storage, pre-market approval, advertising, promotion and sale of some of our products. Satisfaction of these requirements can take several years and time needed to satisfy them may vary substantially, based on the type, complexity and novelty of the product. The decision by a regulatory authority to regulate a currently non-regulated product or product area could significantly impact our revenue and have a corresponding adverse impact on our financial performance and position while we attempt to comply with the new regulation, if such compliance is possible at all.

The effect of government regulation may be to delay or to prevent marketing of our products for a considerable period of time and to impose costly procedures upon our activities. We have experienced in the past, and may experience in the future, difficulties that could delay or prevent us from obtaining the regulatory approval or license necessary to introduce or market our products. Such delays in approval may cause us to forego a significant portion of a new product's sales in its first year due to seasonality and advanced booking periods associated with certain products. Regulatory approval of our products may also impose limitations on the indicated or intended uses for which our products may be marketed. Difficulties in making established products to all regulatory specifications may lead to significant losses related to affected inventory as well as market share. For instance, in 2010 we discovered we had produced a significant level of cattle vaccine product in our OVP segment which conformed to regulatory specifications for safety, potency and efficacy but not purity. We did not ship any related cattle vaccine product in the three months ended June 30, 2010 as we investigated and worked to resolve the situation. There can be no assurance that our efforts at remediation to ensure this or similar problems will not recur in the future will be successful or that the USDA will not suspend our ability to produce these, similar or other products for an extended time at some point in the future.

Among the conditions for certain regulatory approvals is the requirement that our facilities and/or the facilities of our third-party manufacturers conform to current Good Manufacturing Practices and other requirements. If any regulatory authority determines that our manufacturing facilities or those of our third-party manufacturers do not conform to appropriate manufacturing requirements, we or the manufacturers of our products may be subject to sanctions, including, but not limited to, warning letters, manufacturing suspensions, product recalls or seizures, injunctions, refusal to permit products to be imported into or exported out of the United States, refusals of regulatory authorities to grant approval or to allow us to enter into government supply contracts, withdrawals of previously approved marketing applications, civil fines and criminal prosecutions. In addition, certain of our agreements may require us to pay penalties if we are unable to supply products, including for failure to maintain regulatory approvals. Any of these events, alone or in unison, could damage our business.

Our stock price has historically experienced high volatility, and could do so in the future, including experiencing a material price decline resulting from a large sale in a short period of time. In addition, our Public Common Stock has certain transfer restrictions which could reduce trading liquidity from what it otherwise would have been and have other undesired effects. Our recently completed 1-for-10 reverse stock split could also reduce liquidity in our stock.

According to the latest available filings with the SEC, we have one shareholder who holds, in aggregate, approximately 10% of our shares outstanding and another shareholder who holds approximately 9% of our shares outstanding. Should either of these shareholders or another relatively large shareholder decide to sell a large number of shares in a short period of time, it could lead to an excess supply of our shares available for sale and correspondingly result in a significant decline in our stock price. For example, we had a shareholder who held over 16% of our shares outstanding as of September 30, 2011 sell all of its holdings in our stock on or before December 7, 2011 – and we believe this contributed to a corresponding decline in our stock price during this period.

The securities markets have experienced significant price and volume fluctuations and the market prices of securities of many microcap and smallcap companies have in the past been, and can in the future be expected to be, especially volatile. During the twelve months ended December 31, 2012, our closing stock price has ranged from a low of $7.05 to a high of $12.84. Fluctuations in the trading price or liquidity of our Public Common Stock may adversely affect our ability to raise capital through future equity financings. Factors that may have a significant impact on the market price and marketability of our Public Common Stock include:

- stock sales by large stockholders or by insiders;
- changes in the outlook for our business;
- our quarterly operating results, including as compared to expected revenue or earnings and in comparison to historical results;
- termination, cancellation or expiration of our third-party supplier relationships;
- announcements of technological innovations or new products by our competitors or by us;
- litigation;
- regulatory developments, including delays in product introductions;
- developments or disputes concerning patents or proprietary rights;
- availability of our revolving line of credit and compliance with debt covenants;
- releases of reports by securities analysts;
- economic and other external factors; and
- general market conditions.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. If a securities class action suit is filed against us, it is likely we would incur substantial legal fees and our management's attention and resources would be diverted from operating our business in order to respond to the litigation.

On May 4, 2010, our shareholders approved an amendment (the "Amendment") to our Restated Certificate of Incorporation. The Amendment places restrictions on the transfer of our stock that could adversely affect our ability to use our domestic Federal Net Operating Loss carryforward ("NOL"). In particular, the Amendment prevents the transfer of shares without the approval of our Board of Directors if, as a consequence, an individual, entity or groups of individuals or entities would become a 5-percent holder under Section 382 of the Internal Revenue Code of 1986, as amended, and the related Treasury regulations, and also prevents any existing 5-percent holder from increasing his or her ownership position in the Company without the approval of our Board of Directors. This may cause certain individuals or entities who may have otherwise been willing and able to bid on our stock to not do so, reducing the class of potential acquirers and trading liquidity from what it otherwise might have been. The Amendment could also have an adverse impact on the value of our stock if certain buyers who would otherwise have purchased our stock, including buyers who may not be comfortable owning stock with transfer restrictions, do not purchase our stock as a result of the Amendment. In addition, because some corporate takeovers occur through the acquirer's purchase, in the public market or otherwise, of sufficient shares to give it control of a company, any provision that restricts the transfer of shares can have the effect of preventing a takeover. The Amendment could discourage or otherwise prevent accumulations of substantial blocks of shares in which our stockholders might receive a substantial premium above market value and might tend to insulate management and the Board of Directors against the possibility of removal to a greater degree than had the Amendment not passed.

We completed a 1-for-10 reverse stock split effective December 30, 2010. The liquidity of our Public Common Stock could be adversely affected by the reduced number of shares resulting from the reverse stock split. Our reverse stock split may have left certain stockholders with one or more "odd lots", which are stock holdings in fewer than 100 shares of Public Common Stock. These odd lots may be more difficult to sell and may incur higher brokerage commissions when sold than shares of our Public Common Stock in multiples of 100, reducing liquidity. Furthermore, due to the increased price per share following our 1-for-10 reverse stock split, certain smaller investors may be unwilling or unable to purchase shares of our Public Common Stock, also reducing liquidity.

Our Public Common Stock is listed on the Nasdaq Capital Market and we may not be able to maintain that listing, which may make it more difficult for you to sell your shares. In addition, we have less than 300 recordholders, which would allow us to terminate voluntarily the registration of our common stock with the SEC and after which we would no longer be eligible to maintain the listing of our Public Common Stock on the Nasdaq Capital Market.

Our Public Common Stock is listed on the Nasdaq Capital Market. The Nasdaq has several quantitative and qualitative requirements companies must comply with to maintain this listing, including a $1.00 minimum bid price. We completed a 1-for-10 reverse stock split effective December 30, 2010 in order to resolve an ongoing minimum bid price deficiency. While we believe we are currently in compliance with all Nasdaq requirements, there can be no assurance we will continue to meet Nasdaq listing requirements including the minimum bid price, that Nasdaq will interpret these requirements in the same manner we do if we believe we meet the requirements, or that Nasdaq will not change such requirements or add new requirements to include requirements we do not meet in the future. If we are delisted from the Nasdaq Capital Market, our Public Common Stock may be considered a penny stock under the regulations of the SEC and would therefore be subject to rules that impose additional sales practice requirements on broker-dealers who sell our securities. The additional burdens imposed upon broker-dealers may discourage broker-dealers from effecting transactions in our Public Common Stock, which could severely limit market liquidity of the Public Common Stock and any stockholder's ability to sell our securities in the secondary market. This lack of liquidity would also likely make it more difficult for us to raise capital in the future.

We have less than 300 recordholders which makes us eligible to terminate voluntarily the registration of our common stock with the SEC and therefore suspend our reporting obligations with the SEC under the Exchange Act and become a non-reporting company. If we were to cease reporting with the SEC, we would no longer be eligible to maintain the listing of our common stock on the Nasdaq Stock Market, which we would expect to materially adversely affect the liquidity and market price for our common stock.

We may face product returns and product liability litigation in excess of, or not covered by, our insurance coverage or indemnities and/or warranties from our suppliers. If we become subject to product liability claims resulting from defects in our products, we may fail to achieve market acceptance of our products and our sales could substantially decline.

The testing, manufacturing and marketing of our current products as well as those currently under development entail an inherent risk of product liability claims and associated adverse publicity. Following the introduction of a product, adverse side effects may be discovered. Adverse publicity regarding such effects could affect sales of our other products for an indeterminate time period. To date, we have not experienced any material product liability claims, but any claim arising in the future could substantially harm our business. Potential product liability claims may exceed the amount of our insurance coverage or may be excluded from coverage under the terms of the policy. We may not be able to continue to obtain adequate insurance at a reasonable cost, if at all. In the event that we are held liable for a claim against which we are not indemnified or for damages exceeding the $10 million limit of our insurance coverage or which results in significant adverse publicity against us, we may lose revenue, be required to make substantial payments which could exceed our financial capacity and/or lose or fail to achieve market acceptance.

We may be held liable for the release of hazardous materials, which could result in extensive clean-up costs or otherwise harm our business.

Certain of our products and development programs produced at our Des Moines, Iowa facility involve the controlled use of hazardous and biohazardous materials, including chemicals and infectious disease agents. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by applicable local, state and federal regulations, we cannot eliminate the risk of accidental contamination or injury from these materials. In the event of such an accident, we could be held liable for any fines, penalties, remediation costs or other damages that result. Our liability for the release of hazardous materials could exceed our resources, which could lead to a shutdown of our operations, significant remediation costs and potential legal liability. In addition, we may incur substantial costs to comply with environmental regulations if we choose to expand our manufacturing capacity.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our principal administrative and research and development activities are located in Loveland, Colorado. We currently lease approximately 60,000 square feet at a facility in Loveland, Colorado under an agreement which expires in 2023. Our principal production facility located in Des Moines, Iowa, consists of 168,000 square feet of buildings on 34 acres of land, which we own. We also own a 175-acre farm used principally for testing products, located in Carlisle, Iowa. Our European facility in Fribourg, Switzerland is leased under an agreement which expires in 2017.

Item 3. Legal Proceedings.

From time to time, we may be involved in litigation related to claims arising out of our operations. At December 31, 2012, we were not a party to any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on our business, financial condition or operating results.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our Public Common Stock is quoted on the Nasdaq Capital Market under the symbol "HSKA." The following table sets forth the high and low sales prices for our Public Common Stock as reported by the Nasdaq Capital Market for the periods indicated below:

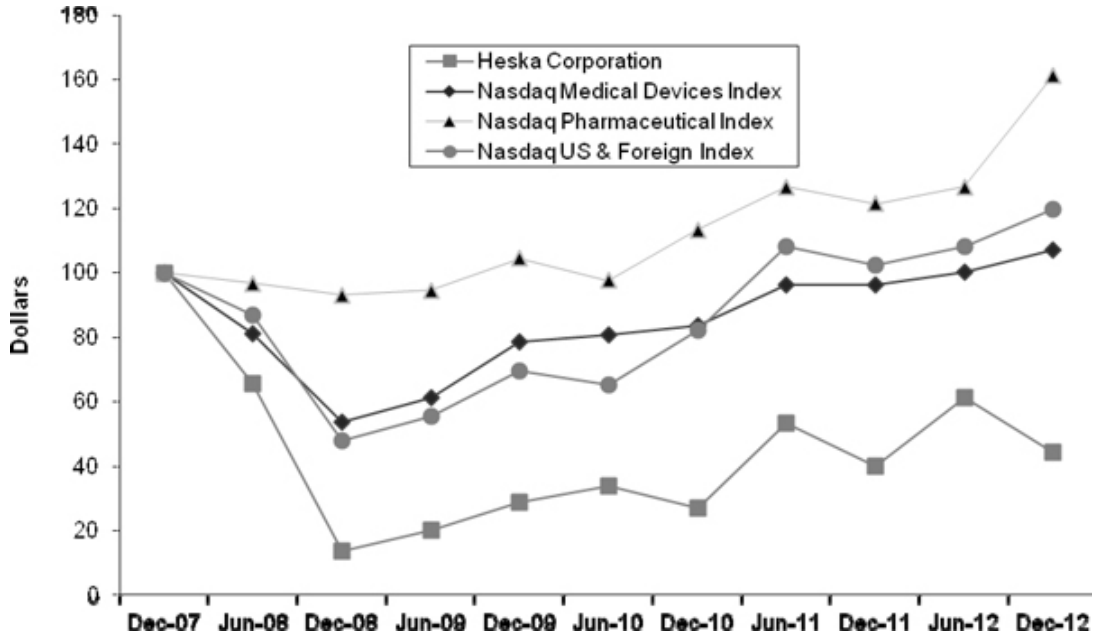
	High	Low
2011		
First Quarter	$ 7.23	$ 4.65
Second Quarter	10.04	6.12
Third Quarter	10.28	8.11
Fourth Quarter	8.64	6.53
2012		
First Quarter	12.25	6.83
Second Quarter	13.00	10.95
Third Quarter	11.40	7.55
Fourth Quarter	9.70	7.48
2013		
First Quarter (through March 13)	8.91	8.02

As of March 13, 2013, there were approximately 273 recordholders of our Public Common Stock, including approximately 90 participant accounts of Cede & Co.'s position held with our registrar, and approximately 3,600 beneficial stockholders. While we paid $1.6 million in dividends in 2012, we do not anticipate any dividend payments in the foreseeable future.

STOCK PRICE PERFORMANCE GRAPH

The following graph provides a comparison over the five-year period ended December 31, 2012 of the cumulative total stockholder return from a $100 investment in the Company's common stock with the Center for Research in Securities Prices Total Return Index for Nasdaq Medical Devices, Instruments and Supplies, Manufacturers and Distributors Stocks (the "Nasdaq Medical Devices Index"), the CRSP Total Return Index for Nasdaq Pharmaceutical Stocks (the "Nasdaq Pharmaceutical Index") and the CRSP Total Return Index for the Nasdaq Stock Market (U.S. and Foreign) (the "Nasdaq U.S. & Foreign Index") assuming reinvestment of dividends.

Comparison of Cumulative Total Return Among Heska Corporation,
the Nasdaq Medical Devices Index, the Nasdaq Pharmaceutical Index and the Nasdaq U.S. and Foreign Index



Item 6. Selected Financial Data.

The following consolidated statement of operations and consolidated balance sheet data have been derived from our consolidated financial statements. The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related Notes included as Items 7 and 8 in this Form 10-K. We completed a 1-for-10 reverse stock split effective December 30, 2010. Except as otherwise indicated, all related amounts reported below have been retroactively adjusted for the effect of this reverse stock split.

	Year Ended December 31,				
	2008	2009	2010	2011	2012
	(in thousands, except per share amounts)				
Consolidated Statement of Operations Data:					
Revenue:					
Core companion animal health	$68,140	$66,449	$55,655	$57,481	$61,502
Other vaccines, pharmaceuticals and products	13,513	9,229	9,796	12,584	11,303
Total revenue, net	81,653	75,678	65,451	70,065	72,805
Cost of revenue	52,809	47,219	40,659	40,878	41,704
Gross profit	28,844	28,459	24,792	29,187	31,101
Operating expenses:					
Selling and marketing	17,640	14,524	14,726	15,167	18,339
Research and development	1,951	1,718	1,597	1,650	958
General and administrative	8,917	8,173	8,111	9,121	9,646
Restructuring expenses	785	—	—	—	—
Other	232	—	—	—	—
Total operating expenses	29,525	24,415	24,434	25,938	28,943
Operating income (loss)	(681)	4,044	358	3,249	2,158
Interest and other (income) expense, net	640	306	289	(117)	135
Income (loss) before income taxes	(1,321)	3,738	69	3,366	2,023
Income tax expense (benefit)	(471)	1,496	51	1,221	820
Net income (loss)	$ (850)	$ 2,242	$ 18	$ 2,145	$ 1,203
Basic net income (loss) per share	$ (0.17)	$ 0.43	$ 0.00	$ 0.41	$ 0.23
Diluted net income (loss) per share	$ (0.17)	$ 0.43	$ 0.00	$ 0.40	$ 0.22
Dividends declared per share	$ —	$ —	$ —	$ —	$ 0.30
Shares used for basic net income (loss) per share	5,167	5,207	5,220	5,237	5,326
Shares used for diluted net income (loss) per share	5,167	5,212	5,254	5,338	5,489
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 4,705	$ 5,400	$ 5,492	$ 6,332	$ 5,784
Total current assets	31,290	28,493	27,279	28,891	32,955
Property and equipment, net	8,509	6,349	5,486	4,869	6,005
Total assets	70,438	64,134	63,048	61,894	66,826
Line of credit	11,042	4,201	3,079	—	2,552
Current portion of long-term debt and capital leases	770	381	—	—	—
Total current liabilities	22,228	14,107	12,660	9,289	14,389
Long-term debt and capital leases	381	—	—	—	—
Long-term deferred revenue and other	5,306	4,972	4,590	4,166	3,575
Total stockholders' equity	42,523	45,055	45,798	48,439	48,862

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Selected Consolidated Financial Data" and the Consolidated Financial Statements and related Notes included in Items 6 and 8 of this Form 10-K.

This discussion contains forward-looking statements that involve risks and uncertainties. Such statements, which include statements concerning future revenue sources and concentration, gross profit margins, selling and marketing expenses, research and development expenses, general and administrative expenses, capital resources, additional financings or borrowings and additional losses, are subject to risks and uncertainties, including, but not limited to, those discussed below and elsewhere in this Form 10-K, particularly in Item 1A "Risk Factors," that could cause actual results to differ materially from those projected. The forward-looking statements set forth in this Form 10-K are as of the close of business on March 13, 2013, and we undertake no duty and do not intend to update this information.

Overview

We develop, manufacture, market, sell and support veterinary products. Our business is comprised of two reportable segments, Core Companion Animal Health ("CCA"), which represented 84% of our 2012 revenue and Other Vaccines, Pharmaceuticals and Products ("OVP"), which represented 16% of our 2012 revenue.

The Core Companion Animal Health segment includes diagnostic and other instruments and supplies as well as single use diagnostic and other tests, pharmaceuticals and vaccines, primarily for canine and feline use.

Blood testing and other non-imaging instruments and supplies represent approximately 45% of our 2012 revenue. Many products in this area involve placing an instrument in the field and generating future revenue from consumables, including items such as supplies and service, as that instrument is used. Approximately 33% of our 2012 revenue resulted from the sale of such consumables to an installed base of instruments and approximately 13% of our 2012 revenue was from new hardware. A loss of or disruption in supply of consumables we are selling to an installed base of instruments could substantially harm our business. All of our blood testing and other non-imaging instruments and supplies are furnished to us by third parties, who typically own the product rights and sell the product to us under marketing and/or distribution agreements. In many cases, we have collaborated with a third party to adapt a human instrument for veterinary use. Major products in this area include our chemistry instruments, our hematology instruments and our blood gas instruments and their affiliated operating consumables. Revenue from products in these three areas, including revenue from consumables, represents approximately 40% of our 2012 revenue.

Other CCA revenue, including single use diagnostic and other tests, pharmaceuticals and vaccines as well as research and development, licensing and royalty revenue, represented approximately 39% of our 2012 revenue. Since items in this area are single use by their nature, our aim is to build customer satisfaction and loyalty for each product, generate repeat annual sales from existing customers and expand our customer base in the future. Products in this area are both supplied by third parties and provided by us. Major products in this area include our heartworm diagnostic tests, our heartworm preventive, our allergy test kits, our allergy immunotherapy and our allergy diagnostic tests. Combined revenue from heartworm-related products and allergy-related products represented approximately 35% of our 2012 revenue.

We consider the CCA segment to be our core business and devote most of our management time and other resources to improving the prospects for this segment. Maintaining a continuing, reliable and economic supply of products we currently obtain from third parties is critical to our success in this area. Virtually all of our sales and marketing expenses are in the Core Companion Animal Health segment. The majority of our research and development spending is dedicated to this segment, as well. We strive to provide high value products and advance the state of veterinary medicine.

All our CCA products ultimately are sold primarily to or through veterinarians. In many cases, veterinarians will mark up their costs to the end user. The acceptance of our products by veterinarians is critical to our success. CCA products are sold directly by us as well as through distribution relationships, such as our corporate agreement with Merck Animal Health, the sale of kits to conduct blood testing to third-party veterinary diagnostic laboratories and independent third-party distributors. Revenue from direct sales and distribution relationships represented approximately 67% and 33% of Core Companion Animal Health 2012 revenue, respectively.

We intend to increase profitability through a combination of revenue growth, gross margin improvement and expense control. Accordingly, we closely monitor revenue growth trends in our CCA segment. Revenue in this segment increased by $4.0 million, or 7%, in 2012 as compared to 2011. We believe poor economic conditions over the past several years have impacted our revenue as, for example, veterinarians have continued to delay or defer capital expenditures on new diagnostic instrumentation.

The Other Vaccines, Pharmaceuticals and Products segment includes our 168,000 square foot USDA- and FDA-licensed production facility in Des Moines, Iowa. We view this facility as an asset which will allow us to control our cost of goods on any vaccines and pharmaceuticals that we may commercialize in the future. Virtually all our U.S. inventory is now stored at this facility and most fulfillment logistics are managed there. CCA segment products manufactured at this facility are transferred at cost and are not recorded as revenue for our OVP segment. We view OVP reported revenue as revenue primarily to cover the overhead costs of the facility and to generate incremental cash flow to fund our CCA segment.

Our OVP segment includes private label vaccine and pharmaceutical production, primarily for cattle but also for other animals such as small mammals. All OVP products are sold by third parties under third party labels.

We have developed our own line of bovine vaccines that are licensed by the USDA. We have a long-term, non-exclusive agreement with a distributor, AgriLabs, for the marketing and sale of certain of these vaccines which are sold primarily under the Titanium® and MasterGuard® brands which are registered trademarks of AgriLabs. This agreement generates a significant portion of our OVP segment’s revenue. Our OVP segment also produces vaccines and pharmaceuticals for other third parties.

Our February 24, 2013 we acquired a 54.6% majority interest in Cuattro Veterinary USA, LLC, which has been renamed Heska Imaging US, LLC. This acquisition marks our entry into the veterinary imaging area.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon the consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expense during the periods. These estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. We have identified those critical accounting policies used in reporting our financial position and results of operations based upon a consideration of those accounting policies that involve the most complex or subjective decisions or assessment. We consider the following to be our critical policies.

Revenue Recognition

We generate our revenue through the sale of products, as well as through licensing of technology product rights, royalties and sponsored research and development. Our policy is to recognize revenue when the applicable revenue recognition criteria have been met, which generally include the following:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services rendered;
- Price is fixed or determinable; and
- Collectability is reasonably assured.

Revenue from the sale of products is recognized after both the goods are shipped to the customer and acceptance has been received, if required, with an appropriate provision for estimated returns and allowances. It is not our normal practice to accept customer returns. Certain of our products have expiration dates. Our policy is to exchange certain outdated, expired product with the same product. We record an accrual for the estimated cost of replacing the expired product expected to be returned in the future, based on our historical experience, adjusted for any known factors that reasonably could be expected to change historical patterns, such as regulatory actions which allow us to extend the shelf life of our products. Revenue from both direct sales to veterinarians and sales to independent third-party distributors are generally recognized when goods are shipped. Our products are shipped complete and ready to use by the customer. The terms of the customer arrangements generally pass title and risk of ownership to the customer at the time of shipment. Certain customer arrangements provide for acceptance provisions. Revenue for these arrangements is not recognized until the acceptance has been received or the acceptance period has lapsed. We reduce our revenue by the estimated cost of any rebates, allowances or similar programs, which are used as promotional programs.

Recording revenue from the sale of products involves the use of estimates and management judgment. We must make a determination at the time of sale whether the customer has the ability to make payments in accordance with arrangements. While we do utilize past payment history, and, to the extent available for new customers, public credit information in making our assessment, the determination of whether collectability is reasonably assured is ultimately a judgment decision that must be made by management. We must also make estimates regarding our future obligation relating to returns, rebates, allowances and similar other programs.

License revenue under arrangements to sell or license product rights or technology rights is recognized as obligations under the agreement are satisfied, which generally occurs over a period of time. Generally, licensing revenue is deferred and recognized over the estimated life of the related agreements, products, patents or technology. Nonrefundable licensing fees, marketing rights and milestone payments received under contractual arrangements are deferred and recognized over the remaining contractual term using the straight-line method.

Recording revenue from license arrangements involves the use of estimates. The primary estimate made by management is determining the useful life of the related agreement, product, patent or technology. We evaluate all of our licensing arrangements by estimating the useful life of either the product or the technology, the length of the agreement or the legal patent life and defer the revenue for recognition over the appropriate period.

Occasionally we enter into arrangements that include multiple elements. Such arrangements may include the licensing of technology and manufacturing of product. In these situations we must determine whether the various elements meet the criteria to be accounted for as separate elements. If the elements cannot be separated, revenue is recognized once revenue recognition criteria for the entire arrangement have been met or over the period that the Company's obligations to the customer are fulfilled, as appropriate. If the elements are determined to be separable, the revenue is allocated to the separate elements based on relative fair value and recognized separately for each element when the applicable revenue recognition criteria have been met. In accounting for these multiple element arrangements, we must make determinations about whether elements can be accounted for separately and make estimates regarding their relative fair values.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts receivable based on client-specific allowances, as well as a general allowance. Specific allowances are maintained for clients which are determined to have a high degree of collectability risk based on such factors, among others, as: (i) the aging of the accounts receivable balance; (ii) the client's past payment experience; (iii) a deterioration in the client's financial condition, evidenced by weak financial condition and/or continued poor operating results, reduced credit ratings, and/or a bankruptcy filing. In addition to the specific allowance, the Company maintains a general allowance for credit risk in its accounts receivable which is not covered by a specific allowance. The general allowance is established based on such factors, among others, as: (i) the total balance of the outstanding accounts receivable, including considerations of the aging categories of those accounts receivable; (ii) past history of uncollectable accounts receivable write-offs; and (iii) the overall creditworthiness of the client base. A considerable amount of judgment is required in assessing the realizability of accounts receivable. Should any of the factors considered in determining the adequacy of the overall allowance change, an adjustment to the provision for doubtful accounts receivable may be necessary.

Inventories

Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method. Inventories are written down if the estimated net realizable value of an inventory item is less than its recorded value. We review the carrying cost of our inventories by product each quarter to determine the adequacy of our reserves for obsolescence. In accounting for inventories we must make estimates regarding the estimated net realizable value of our inventory. This estimate is based, in part, on our forecasts of future sales and shelf life of product.

Deferred Tax Assets – Valuation Allowance

Our deferred tax assets, such as an NOL, are reduced by an offsetting valuation allowance based on judgmental assessment of available evidence if we are unable to conclude that it is more likely than not that some or all of the related deferred tax assets will be realized. If we are able to conclude it is more likely than not that we will realize a future benefit from a deferred tax asset, we will reduce the related valuation allowance by an amount equal to the estimated quantity of income taxes we would pay in cash if we were not to utilize the deferred tax asset in the future. The first time this occurs in a given jurisdiction, it will result in a net deferred tax asset on our balance sheet and an income tax benefit of equal magnitude in our statement of operations in the period we make the determination. In future periods, we will then recognize as income tax expense the estimated quantity of income taxes we would have paid in cash had we not utilized the related deferred tax asset. The corresponding journal entry will be a reduction of our deferred tax asset. If there is a change regarding our tax position in the future, we will make a corresponding adjustment to the related valuation allowance.

Results of Operations

The following table summarizes our results of operations for the three most recent fiscal years:

	Year Ended December 31,		
	2010	2011	2012
	(in thousands except per share amounts)		
Consolidated Statement of Income Data:			
Revenue:			
Core companion animal health	$ 55,655	$ 57,481	$ 61,502
Other vaccines, pharmaceuticals and products	9,796	12,584	11,303
Total revenue, net	65,451	70,065	72,805
Cost of revenue	40,659	40,878	41,704
Gross profit	24,792	29,187	31,101
Operating expenses:			
Selling and marketing	14,726	15,167	18,339
Research and development	1,597	1,650	958
General and administrative	8,111	9,121	9,646
Total operating expenses	24,434	25,938	28,943
Operating income	358	3,249	2,158
Interest and other (income) expense, net	289	(117)	135
Income before income taxes	69	3,366	2,023
Income tax expense	51	1,221	820
Net income	$ 18	$ 2,145	$ 1,203
Basic net income per share	$ 0.00	$ 0.41	$ 0.23
Diluted net income per share	$ 0.00	$ 0.40	$ 0.22

Revenue

Total revenue increased 4% to $72.8 million in 2012 compared to $70.1 million in 2011. Total revenue increased 7% to $70.1 million in 2011 compared to $65.5 million in 2010.

CCA segment revenue increased 7% to $61.5 million in 2012 compared to $57.5 million in 2011. Greater revenue from instrument consumables was a factor in the increase. CCA segment revenue increased 3% to $57.5 million in 2011 compared to $55.7 million in 2010. Key factors in the increase were greater sales of our instrument consumables, our canine heartworm preventive and international sales of our canine heartworm diagnostic tests, somewhat offset by lower revenue from our hematology instruments and our chemistry instruments.

OVP segment revenue decreased 10% to $11.3 million in 2012 compared to $12.6 million in 2011. Lower sales of cattle vaccines under our contract with AgriLabs and lower international sales of cattle vaccines were factors in the decline. OVP segment revenue increased 28% to $12.6 million in 2011 compared to $9.8 million in 2010. Greater sales of cattle vaccines to new customers, greater sales of cattle vaccines under our contract with AgriLabs and greater sales of other cattle vaccines, somewhat offset by lower sales of bulk bovine biologicals, were key factors in the increase.

We expect 2013 total revenue, which we expect to include the revenue attributable to Heska Imaging for 10 full months of 2013, to increase as compared with 2012.

Cost of Revenue

2012 Cost of revenue was $41.7 million, an increase of 2% compared to $40.9 million in 2011. Gross profit increased 7% to $31.1 million in 2012 from $29.2 million in 2011. Gross Margin, i.e. gross profit divided by total revenue, increased to 42.7% in 2012 from 41.7% in 2011. A key factor in the increase was product mix, where the overall sales shift was toward higher margin products including instrument consumables.

2011 Cost of revenue was $40.9 million, an increase of 1% compared to $40.7 million in 2010. Gross profit increased 18% to $29.2 million in 2011 from $24.8 million in 2010. Gross Margin, i.e. gross profit divided by total revenue, increased to 41.7% in 2011 from 37.9% in 2010. The largest factor was approximately $1.4 million in net costs for destroyed product, replacement product and related reserves in our OVP segment regarding regulatory issues with certain of our cattle vaccines which was recognized in 2010, but not 2011.

Operating Expenses

Selling and marketing expenses increased by 21% to $18.3 million in 2012 compared to $15.2 million in 2011. Higher costs related to increases in sales force personnel contributed to the increase. Selling and marketing expenses increased by 3% to $15.2 million in 2011 compared to $14.7 million in 2010. Greater recruiting and relocation costs related to the expansion of our sales force and increased spending related to product marketing programs were factors in the increase.

Research and development expenses decreased by approximately $692 thousand to $958 thousand in 2012 from $1.7 million in 2011. The largest factor in the change was lower payments to third parties related to product collaborations in the 2012 period as compared to the 2011 period. Research and development expenses increased by $53 thousand to $1.7 million in 2011 from $1.6 million in 2010. A factor in the increase was a payment to a third party related to a product line we are collaborating to develop with that company.

General and administrative expenses were $9.6 million in 2012, a 6% increase as compared to $9.1 million in 2011. A favorable arbitration ruling in 2011 where the other side paid our legal costs along with increased legal spending in 2012 were factors in the increase. General and administrative expenses were $9.1 million in 2011, a 12% increase as compared to $8.1 million in 2010. The largest factor in the increase was a Management Incentive Plan (“MIP”) expense in 2011 related to the achievement of certain objectives, which did not occur in 2010.

Interest and Other Expense, Net

Interest and other expense, net, was an expense of $135 thousand in 2012, as compared to income of $117 thousand in 2011 and an expense of $289 thousand in 2010. This line item can be broken into two components: net interest expense and net foreign currency gains and losses. Net interest was expense of $22 thousand in 2012, as compared to income of $144 thousand in 2011 and expense of $131 thousand in 2010. The largest factor in the change from 2011 to 2012 and from 2010 to 2011 was $207 thousand in interest income from an arbitration judgment in 2011. We recognized interest income in an arbitration judgment in 2012 but it was not at the same level as 2011. Net foreign currency losses were $113 thousand in 2012, $27 thousand in 2011 and $158 thousand in 2010.

We expect interest and other expense, net to be a net expense in 2013 as we have a $100 thousand minimum interest expense under our agreement with Wells Fargo and we do not anticipate we will experience interest income at the same level as in 2011 and 2012, which resulted primarily from interest awarded in arbitration judgments.

Income Tax Expense (Benefit)

In 2012, we had total income tax expense of $820 thousand, including $606 thousand in domestic deferred income tax expense, a non-cash expense, and $214 thousand in current income tax expense, the majority of which related to state income taxes. In 2011, we had total income tax expense of $1.2 million, including $1.1 million in domestic deferred income tax expense, and $165 thousand in current income tax expense, the majority of which related to state income taxes. In 2010, we had $61 thousand of current tax expense and $10 thousand in deferred tax benefit, resulting in total income tax expense of $51 thousand. The largest component of 2010 current tax expense relates to the profitable operating performance of our Swiss subsidiary. Domestically, the effect of permanent differences between tax and GAAP accounting, such as incentive stock option amortization, at low profitability levels tends to raise the implied tax rate and contributed to our unusually high 74% tax rate in 2010. The same effect occurred to some degree in 2011 and 2012, although its impact declined as the profitability level increased.

In 2013, we expect higher income tax expense as compared to 2012 as we expect higher pre-tax income in 2013, which we expect to include the pre-tax income attributable to Heska Imaging for 10 full months of 2013, as compared to 2012.

Net Income (Loss)

Our 2012 net income was $1.2 million as compared to 2011 net income of $2.1 million and net income of $18 thousand in 2010. Increased operating expenses, somewhat offset by higher revenue and improved Gross Margin, was the most important factor in the decline from 2011 to 2012. Increased revenue and improved Gross Margin, somewhat offset by higher operating expenses, were key factors in the improvement from 2010 to 2011.

We expect net income will be higher in 2013, which we expect to include the net income attributable to Heska Imaging for 10 full months of 2013, than in 2012.

Liquidity, Capital Resources and Financial Condition

We have incurred net cumulative negative cash flow from operations since our inception in 1988. For the year ended December 31, 2012, we had net income of $1.2 million. In 2012, net cash used in operations was $369 thousand. At December 31, 2012, we had $5.8 million of cash and cash equivalents, working capital of $18.6 million and $2.6 million outstanding borrowings under our revolving line of credit, discussed below.

Net cash flows from operating activities used cash of $369 thousand in 2012 as compared to providing cash of $4.9 million in 2011, a change of $5.3 million. The largest factor in the change was a $4.0 million decrease in cash provided from accounts receivable as in 2012 we had a significant level of our products ship to customers prior to year end, without such customers paying prior to year end, an effect which was not present to the same degree in 2011. In addition, our lower profitability level in 2012 as compared to 2011, with a $942 thousand decline in cash from net income and a related $450 thousand decline in cash provided by deferred tax expense, contributed to the decline. A $1.0 million refundable prepayment for exclusive negotiating rights on a potential acquisition in 2012 but not 2011 also contributed to the change. We also experienced $555 thousand greater cash used in inventory primarily related to increased transfers of inventory to property and equipment for our instruments installed with customers where we have retained instrument ownership as well as $353 thousand less cash provided by lower depreciation and amortization expense, primarily related to lower depreciation on instrument units available for customer rental which were fully depreciated in 2011. This was somewhat offset by $2.5 million in cash from accounts payable, accrued liabilities and other items resulting to some degree from the increase in our 2012 operating expenses as compared to 2011.

Net cash flows from operating activities provided cash of $4.9 million in 2011 as compared to $1.9 million in 2010. Key factors in the change were an improvement of $2.1 million in net income, a $1.1 million increase in cash provided by deferred tax expense, which is a non-cash charge, and a $573 thousand improvement in cash provided by accounts receivable, with the payment resulting from arbitration in the fourth quarter of 2011 as a key factor in this change. These were somewhat offset by $373 thousand greater cash used by accounts payable and accrued liabilities and other, related to the timing of payments, and $246 thousand in lower depreciation and amortization expense, primarily related to lower depreciation on instrument units available for customer rental.

Net cash flows from investing activities used cash of $1.5 million in 2012 as compared to using cash of $1.1 million in 2011 and using cash of $620 thousand in 2010. Purchases of property and equipment increased $425 thousand in 2012 as compared to 2011 and $464 thousand in 2011 as compared to 2010, primarily due to greater property and equipment purchases in our OVP segment in both cases.

Net cash flows from financing activities provided cash of $1.3 million in 2012, used cash of $3.0 million in 2011 and used cash of $1.4 million in 2010. In 2012, we borrowed $2.6 million and received $390 thousand in proceeds from the issuance of common stock under our Employee Stock Purchase Plan and upon option exercises, somewhat offset by funds paid to participating shareholders in our odd lot tender offer for shareholders with 99 shares or less. These cash flows were somewhat offset by $1.6 million in dividends we paid. In 2011, we used cash to fully repay our remaining $3.1 million in line of credit borrowings, which was partially offset by proceeds from the issuance of common stock under our Employee Stock Purchase Plan and upon option exercises. In 2010, we used cash to reduce our borrowings under our line of credit by $1.1 million and repay the remaining principal on term debt of $381 thousand, which was partially offset by proceeds from the issuance of common stock under our Employee Stock Purchase Plan and upon option exercises. In 2012, we essentially borrowed under our line of credit to finance dividends paid to shareholders, our capital expenditures and cash used in our operating activities. We repaid more debt under our revolving line of credit in 2011 as compared to 2010 primarily because we had greater cash provided by operating activities in 2011 as compared to 2010.

At December 31, 2012, we had a $15.0 million asset-based revolving line of credit with Wells Fargo which has a maturity date of December 31, 2013. At December 31, 2012, there were $2.6 million of borrowings outstanding on this line of credit. Our ability to borrow under this line of credit varies based upon available cash, eligible accounts receivable and eligible inventory. Based on our agreement with Wells Fargo, on December 31, 2012, any interest on borrowings due was to be charged at a stated rate of three month LIBOR plus 2.75% and was to be payable monthly. We expect any interest on borrowings due after February 2013 to be charged at a stated rate of three month LIBOR plus 3.75% due to our lower profitability level in 2013 as compared to 2012 and the terms of our agreement with Wells Fargo. We are required to comply with various financial and non-financial covenants, and we have made various representations and warranties under our agreement with Wells Fargo. Among the financial covenants is a requirement to maintain a minimum liquidity (cash plus excess borrowing base) of $1.5 million. Additional requirements include covenants for minimum capital monthly and minimum net income quarterly. Failure to comply with any of the covenants, representations or warranties could result in our being in default on the loan and could cause all outstanding amounts payable to Wells Fargo to become immediately due and payable or impact our ability to borrow under the agreement. We were in compliance with all financial covenants as of December 31, 2012. At December 31, 2012, our available borrowing capacity based upon eligible accounts receivable and eligible inventory under our revolving line of credit was approximately $8.3 million.

Our financial plan for 2013 indicates that our available cash and cash equivalents, together with cash from operations and borrowings expected to be available under our revolving line of credit, will be sufficient to fund our operations through 2013 and into 2014. However, our actual results may differ from this plan, and we may be required to consider alternative strategies. We may be required to raise additional capital in the future. If necessary, we expect to raise these additional funds through the sale of equity securities or the issuance of new term debt secured by the same assets as the term loans which were fully repaid in 2010. There is no guarantee that additional capital will be available from these sources on acceptable terms, if at all, and certain of these sources may require approval by existing lenders. If we cannot raise the additional funds through these options on acceptable terms or with the necessary timing, management could also reduce discretionary spending to decrease our cash burn rate through actions such as delaying or canceling marketing plans. These actions would likely extend the then available cash and cash equivalents, and then available borrowings to some degree. See “Risk Factors” in Item 1A of this Form 10-K for a discussion of some of the factors that affect our capital raising alternatives.

Under the Operating Agreement, should Heska Imaging meet certain performance criteria, the Imaging Minority has been granted a put option to sell us some or all of the Imaging Minority’s remaining 45.4% position in Heska Imaging following the audit of our financial statements in 2015, 2016 and 2017. Furthermore, should Heska Imaging meet certain performance criteria, and the Imaging Minority fail to exercise an applicable put to sell us all of the Imaging Minority’s position in Heska Imaging following the audit of our financial statements in 2015, 2016 and 2017, we would have a call option to purchase all, but not less than all, of the Imaging Minority’s position in Heska Imaging.

We believe it is likely that Heska Imaging will meet the required performance criteria for its 2015 highest strike put in 2015. In this case, the Imaging Minority would be granted a put following our 2015 audit which could require us to deliver up to $17.0 million to purchase the 45.4% of Heska Imaging we do not own. If this put is not exercised in full, we would have a call option to purchase all, but not less than all, of the Imaging Minority’s position in Heska Imaging for $19.6 million. In both cases, while we have the right to deliver up to 55% of the consideration in our Pubic Common Stock under certain circumstances, such stock is to be valued based on 90% of market value (the “Delivery Stock Value”) and is limited to approximately 650 thousand shares in any case. If the Delivery Stock Value is less than the market value of our stock at the time of the Acquisition, we do not have the right to deliver any Public Common Stock as consideration.

If Heska Imaging meets the required performance criteria for its 2015 highest strike put in 2015, we anticipate that either the Imaging Minority will exercise its put or we will desire to exercise our call, or perhaps both, following our 2015 audit in 2016. While our financial plan calls for us to meet this payment obligation using internally generated cash flows, perhaps supplemented by debt financing, there can be no assurance our results will unfold according to our plan. This potential payment obligation in 2016 is an important consideration for us in our cash management decisions.

We would consider acquisitions if we felt they were consistent with our strategic direction. We paid $1.6 million in dividends in 2012, and while we may consider paying dividends again in the long term, we do not anticipate the payment of any further dividends for the foreseeable future. We conducted an odd lot tender offer in 2012 which could have led to the repurchase of approximately $400 thousand of our stock if all eligible holders had chosen to participate, and while we may consider stock repurchase alternatives again in the long term, we do not anticipate any stock repurchases in the foreseeable future.

A summary of our contractual obligations at December 31, 2012 is shown below:

	Payments Due by Period (in thousands)				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Contractual Obligations					
Line of credit	$ 2,552	$ 2,552	$ —	$ —	$ —
Operating leases	16,744	1,975	3,210	3,063	8,496
Unconditional purchase obligations	18,103	5,020	10,058	3,025	—
Total contractual cash obligations	$37,399	$ 9,547	$13,268	$6,088	$ 8,496

In addition to those agreements considered above where our contractual obligation is fixed, we are party to commercial agreements which may require us to make milestone payments under certain circumstances. Any milestone obligations which we believe are likely to be triggered but are not yet paid are included in “Unconditional Purchase Obligations” in the table above. We do not believe other potential milestone obligations, some of which we consider to be of remote likelihood of ever being triggered, will have a material impact on our liquidity, capital resources or financial condition in the foreseeable future.

If Heska Imaging meets the required performance criteria for its 2015 highest strike put in 2015, we anticipate that either the Imaging Minority will exercise its put or we will desire to exercise our call, or perhaps both, following our 2015 audit in 2016. For further information, please see “Liquidity, Capital Resources and Financial Condition” above.

Net Operating Loss Carryforwards

As of December 31, 2012, we had a net domestic operating loss carryforward, or NOL, of approximately $113.5 million, a domestic alternative minimum tax credit carryforward of approximately $233 thousand and a domestic research and development tax credit carryforward of approximately $526 thousand for federal tax purposes. Our federal NOL is expected to expire as follows if unused: $107.6 million in 2018 through 2022, $5.5 million in 2024 and 2025 and $385 thousand in 2027. The NOL and tax credit carryforwards are subject to alternative minimum tax limitations and to examination by the tax authorities. In addition, we had a “change of ownership” as defined under the provisions of Section 382 of the Internal Revenue Code of 1986, as amended (an “Ownership Change”). We believe the latest Ownership Change occurred at the time of our initial public offering in July 1997. We do not believe this Ownership Change will place a significant restriction on our ability to utilize our NOLs in the future.

Recent Accounting Pronouncements

Management has evaluated recent accounting pronouncements and determined none would have a material impact on the Company’s financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Market risk represents the risk of loss that may impact the financial position, results of operations or cash flows due to adverse changes in financial and commodity market prices and rates. We are exposed to market risk in the areas of changes in United States and foreign interest rates and changes in foreign currency exchange rates as measured against the United States dollar. These exposures are directly related to our normal operating and funding activities.

Interest Rate Risk

At December 31, 2012, there was approximately $2.6 million outstanding on our line of credit with Wells Fargo. We also had approximately $5.8 million of cash and cash equivalents at December 31, 2012, the majority of which was invested in liquid interest bearing accounts. We had no interest rate hedge transactions in place on December 31, 2012. We completed an interest rate risk sensitivity analysis based on the above and an assumed one-percentage point increase/decrease in interest rates. If market rates increase/decrease by one percentage point, we would experience a decrease/increase in annual net interest expense of approximately $32 thousand based on our outstanding balances as of December 31, 2012.

Foreign Currency Risk

Our investment in foreign assets consists primarily of our investment in our Swiss subsidiary. Foreign currency risk may impact our results of operations. In cases where we purchase inventory in one currency and sell corresponding products in another, our gross margin percentage is typically at risk based on foreign currency exchange rates. In addition, in cases where we may be generating operating income in foreign currencies, the magnitude of such operating income when translated into U.S. dollars will be at risk based on foreign currency exchange rates. Our agreements with suppliers and customers vary significantly in regard to the existence and extent of currency adjustment and other currency risk sharing provisions. We had no foreign currency hedge transactions in place on December 31, 2012.

We have a wholly-owned subsidiary in Switzerland which uses the Swiss Franc as its functional currency. We purchase inventory in foreign currencies, primarily Euros and Japanese Yen, and sell corresponding products in U.S. dollars. We also sell products in foreign currencies, primarily Euros and Japanese Yen, where our inventory costs are largely in U.S. dollars. Based on our 2012 results of operations, if foreign currency exchange rates were to strengthen/weaken by 25% against the dollar, we would expect a resulting pre-tax loss/gain of approximately $349 thousand.

Item 8. Financial Statements and Supplementary Data.

HESKA CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Heska Corporation
Loveland, Colorado

We have audited the accompanying consolidated balance sheets of Heska Corporation and subsidiaries (the "Company") as of December 31, 2011 and 2012, and the related consolidated statements of income, stockholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2012. Our audits also included the financial statement schedule appearing under Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule 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 statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Heska Corporation and subsidiaries as of December 31, 2011 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

EKS&H LLLP

March 14, 2013
Boulder, Colorado

HESKA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share amounts)

	December 31, 2011	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,332	$ 5,784
Accounts receivable, net of allowance for doubtful accounts of $174 and $155, respectively	7,938	11,044
Inventories, net	12,401	12,483
Deferred tax asset, current	1,170	1,130
Other current assets	1,050	2,514
Total current assets	28,891	32,955
Property and equipment, net	4,869	6,005
Goodwill and other intangibles	1,000	1,120
Deferred tax asset, net of current portion	27,134	26,746
Total assets	$ 61,894	$ 66,826
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,999	$ 5,298
Accrued liabilities	2,311	3,481
Accrued compensation	1,077	651
Current portion of deferred revenue	1,902	2,407
Line of credit	—	2,552
Total current liabilities	9,289	14,389
Deferred revenue, net of current portion, and other	4,166	3,575
Total liabilities	13,455	17,964
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 2,500,000 shares authorized; none issued or outstanding	—	—
Common stock, $.01 par value, 7,500,000 shares authorized, none issued or outstanding	—	—
Public common stock, $.01 par value, 7,500,000 shares authorized, 5,250,328 and 5,372,336 shares issued and outstanding, respectively	52	54
Additional paid-in capital	217,778	218,544
Accumulated other comprehensive income	242	296
Accumulated deficit	(169,633)	(170,032)
Total stockholders' equity	48,439	48,862
Total liabilities and stockholders' equity	$ 61,894	$ 66,826

See accompanying notes to consolidated financial statements.

HESKA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	Year Ended December 31,		
	2010	2011	2012
Revenue:			
Core companion animal health	$55,655	$57,481	$61,502
Other vaccines, pharmaceuticals and products	9,796	12,584	11,303
Total revenue, net	65,451	70,065	72,805
Cost of revenue	40,659	40,878	41,704
Gross profit	24,792	29,187	31,101
Operating expenses:			
Selling and marketing	14,726	15,167	18,339
Research and development	1,597	1,650	958
General and administrative	8,111	9,121	9,646
Total operating expenses	24,434	25,938	28,943
Operating income	358	3,249	2,158
Interest and other (income) expense, net	289	(117)	135
Income before income taxes	69	3,366	2,023
Income tax expense:			
Current income tax expense	61	165	214
Deferred income tax expense (benefit)	(10)	1,056	606
Total income tax expense	51	1,221	820
Net income	$ 18	$ 2,145	$ 1,203
Basic net income per share	$ 0.00	$ 0.41	$ 0.23
Diluted net income per share	$ 0.00	$ 0.40	$ 0.22
Weighted average outstanding shares used to compute basic net income per share	5,220	5,237	5,326
Weighted average outstanding shares used to compute diluted net income per share	5,254	5,338	5,489

See accompanying notes to consolidated financial statements.

HESKA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,		
	2010	2011	2012
Net income	$ 18	$2,145	$1,203
Other comprehensive income (expense):			
Minimum pension liability	22	(20)	(20)
Unrealized gain (loss) on available for sale investments	4	(8)	—
Foreign currency translation	288	(14)	74
Comprehensive income	$332	$2,103	$1,257

See accompanying notes to consolidated financial statements.

HESKA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances, January 1, 2010	5,216	$ 52	$216,829	$ (30)	$ (171,796)	$ 45,055
Net income	—	—	—	—	18	18
Issuance of common stock related to options, ESPP and other	15	—	75	—	—	75
Recognition of stock based compensation	—	—	336	—	—	336
Minimum pension liability adjustments	—	—	—	22	—	22
Unrealized gain on available for sale investments	—	—	—	4	—	4
Foreign currency translation adjustments	—	—	—	288	—	288
Balances, December 31, 2010	5,231	52	217,240	284	(171,778)	45,798
Net income	—	—	—	—	2,145	2,145
Issuance of common stock related to options, ESPP and other	19	—	124	—	—	124
Recognition of stock based compensation	—	—	414	—	—	414
Minimum pension liability adjustments	—	—	—	(20)	—	(20)
Unrealized(loss) on available for sale investments	—	—	—	(8)	—	(8)
Foreign currency translation adjustments	—	—	—	(14)	—	(14)
Balances, December 31, 2011	5,250	52	217,778	242	(169,633)	48,439
Net income	—	—	—	—	1,203	1,203
Issuance of common stock related to options, ESPP and other	122	2	388	—	—	390
Recognition of stock based compensation	—	—	378	—	—	378
Dividends paid	—	—	—	—	(1,602)	(1,602)
Minimum pension liability adjustments	—	—	—	(20)	—	(20)
Foreign currency translation adjustments	—	—	—	74	—	74
Balances, December 31, 2012	5,372	$ 54	$218,544	$ 296	$ (170,032)	$ 48,862

See accompanying notes to consolidated financial statements.

HESKA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2010	2011	2012
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Net income	$ 18	$ 2,145	$ 1,203
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Depreciation and amortization	2,298	2,052	1,699
Deferred tax (benefit) expense	(10)	1,056	606
Stock based compensation	336	414	378
Unrealized (gain) loss on foreign currency translation	(12)	10	46
Changes in operating assets and liabilities:			
Accounts receivable	356	929	(3,099)
Inventories	(699)	(850)	(1,405)
Other current assets	(44)	(93)	(1,551)
Accounts payable	(10)	(164)	1,298
Accrued liabilities and other	(40)	(259)	741
Income taxes payable	(38)	—	—
Deferred revenue and other	(214)	(352)	(285)
Net cash provided by (used in) operating activities	1,941	4,888	(369)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(620)	(1,084)	(1,509)
Net cash provided by (used in) investing activities	(620)	(1,084)	(1,509)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	75	124	390
Proceeds from (repayments of) line of credit borrowings, net	(1,123)	(3,079)	2,552
Repayments of debt and capital lease obligations	(381)	—	—
Dividends paid to stockholders	—	—	(1,602)
Net cash provided by (used in) financing activities	(1,429)	(2,955)	1,340
EFFECT OF EXCHANGE RATE CHANGES ON CASH	200	(9)	(10)
INCREASE IN CASH AND CASH EQUIVALENTS	92	840	(548)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,400	5,492	6,332
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,492	$ 6,332	$ 5,784
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 162	$ 28	$ 77
Cash paid for income taxes	$ 107	$ 214	$ 153
Non-cash transfer of inventory to property and equipment	$ 815	$ 351	$ 1,327

See accompanying notes to consolidated financial statements.

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

Heska Corporation ("Heska" or the "Company") develops, manufactures, markets, sells and supports veterinary products. Heska's core focus is on the canine and feline companion animal health markets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and of its wholly-owned subsidiaries since their respective dates of acquisitions. All material intercompany transactions and balances have been eliminated in consolidation.

Reverse Stock Split

The Company completed a 1-for-10 reverse stock split which was effective on December 30, 2010. Except as otherwise indicated, all related amounts reported in the consolidated financial statements, including common share quantities, earnings per share amounts and exercise prices of options, have been retroactively adjusted for the effect of this reverse stock split.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are required when establishing the allowance for doubtful accounts and the provision for excess/obsolete inventory, in determining the period over which the Company's obligations are fulfilled under agreements to license product rights and/or technology rights, evaluating long-lived assets for impairment, estimating the expense associated with the granting of stock options and in determining the need for, and the amount of, a valuation allowance on deferred tax assets.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and accounts receivable. The Company maintains the majority of its cash and cash equivalents with financial institutions that management believes are creditworthy in the form of demand deposits. The Company has no significant off-balance-sheet concentrations of credit risk such as foreign exchange contracts, options contracts or other foreign currency hedging arrangements. Its accounts receivable balances are due primarily from domestic veterinary clinics and individual veterinarians, and both domestic and international corporations.

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates market, and include short-term, highly liquid investments with original maturities of less than three months. The Company valued its Euro and Japanese Yen cash accounts at the spot market foreign exchange rate as of each balance sheet date, with changes due to foreign exchange fluctuations recorded in current earnings. The Company held 556,173 and 332,888 Euros at December 31, 2011 and 2012, respectively. The Company held 9,685,521 and 3,406,393 Yen at December 31, 2011 and 2012, respectively. The Company held 330,533 and 65,472 Swiss Francs at December 31, 2011 and 2012, respectively. The majority of the Company's cash and cash equivalents are held at U.S.-based or Swiss-based financial institutions in accounts not insured by governmental entities.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term trade receivables and payables and the Company's revolving line of credit. The carrying values of cash and cash equivalents and short-term trade receivables and payables approximate fair value. The fair value of the Company's line of credit balance is estimated based on current rates available for similar debt with similar maturities and collateral, and at December 31, 2011 and 2012, approximates the carrying value due primarily to the floating rate of interest on such debt instruments.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method. Inventory manufactured by the Company includes the cost of material, labor and overhead. If the cost of inventories exceeds estimated fair value, provisions are made to reduce the carrying value to estimated fair value.

Inventories, net consist of the following (in thousands):

	December 31,	
	2011	2012
Raw materials	$ 5,580	$ 5,275
Work in process	2,505	3,342
Finished goods	5,043	4,671
Allowance for excess or obsolete inventory	(727)	(805)
	$12,401	$12,483

Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized over the applicable lease period or their estimated useful lives, whichever is shorter. Maintenance and repairs are charged to expense when incurred, and major renewals and improvements are capitalized.

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Property and equipment consist of the following (in thousands):

	Estimated Useful Life	December 31, 2011	December 31, 2012
Land	N/A	$ 377	$ 377
Building	10 to 20 years	2,678	2,678
Machinery and equipment	3 to 15 years	28,617	30,346
Leasehold and building improvements	7 to 15 years	5,322	5,429
Construction in progress		463	1,091
		37,457	39,921
Less accumulated depreciation and amortization		(32,588)	(33,916)
		$ 4,869	$ 6,005

From time to time, the Company utilizes marketing programs whereby its instruments in inventory may be placed in a customer's location on a rental basis. The cost of these instruments is transferred to machinery and equipment and depreciated, typically over a four year period. During 2010, 2011 and 2012, total costs transferred from inventory were approximately $815 thousand, $351 thousand and $1.3 million, respectively.

Depreciation and amortization expense for property and equipment was $2.3 million, $2.1 million and $1.7 million for the years ended December 31, 2010, 2011 and 2012, respectively.

Realizability of Long-Lived Assets

The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision, or that the remaining balance of these assets may not be recoverable. When deemed necessary, the Company completes this evaluation by comparing the carrying amount of the assets with the estimated undiscounted future cash flows associated with them. If such evaluations indicate that the future undiscounted cash flows of amortizable long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their estimated fair values.

Goodwill

Goodwill is subject to an annual assessment for impairment. Impairment is indicated when the carrying amount of the related reporting unit is greater than its estimated fair value.

The Company's recorded goodwill relates to the 1997 acquisition of Heska AG, the Company's Swiss subsidiary. This goodwill is reviewed at least annually for impairment. This impairment assessment is completed at the Heska AG reporting unit level. The Company completed its annual analysis estimating that the fair value of the reporting unit exceeds the carrying value of the goodwill at December 31, 2012 and determined there was no indicated impairment of its goodwill. The key inputs to the estimated fair value included historical and 2013 budgeted operating income, net income and cash flows for the reporting unit. At December 31, 2011 and 2012, goodwill was approximately $1.0 million and $1.0 million, respectively, and was included in the assets of the Core Companion Animal Health segment. There can be no assurance that future goodwill impairments will not occur.

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Revenue Recognition

The Company generates its revenues through sale of products and services, licensing of product and technology rights, and research and development services. Revenue is accounted for in accordance with the guidelines provided by SEC Codification of Staff Accounting Bulletins, Topic 13: Revenue Recognition. The Company's policy is to recognize revenue when the applicable revenue recognition criteria have been met, which generally include the following:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services rendered;
- Price is fixed or determinable; and
- Collectibility is reasonably assured.

Revenue from the sale of products is generally recognized after both the goods are shipped to the customer and acceptance has been received, if required, with an appropriate provision for estimated returns and other allowances. The terms of the customer arrangements generally pass title and risk of ownership to the customer at the time of shipment. Certain customer arrangements provide for acceptance provisions. Revenue for these arrangements is not recognized until the acceptance has been received or the acceptance period has lapsed. The Company maintains an allowance for sales returns based upon its customer policies and historical experience. Shipping and handling costs charged to customers are included as revenue, and the related costs are recorded as a component of cost of products sold.

In addition to its direct sales force, the Company utilizes distributors to sell its products. Distributors purchase goods from the Company, take title to those goods and resell them to their customers in the distributors' territory.

Upfront payments received by the Company under arrangements for product, patent or technology rights in which the Company retains an interest in the underlying product, patent or technology are initially deferred, and revenue is subsequently recognized over the estimated life of the agreement, product, patent or technology. The Company has not received any significant up-front payments in 2010, 2011 or 2012. Revenue from royalties is recognized based upon historical experience or as the Company is informed of sales on which it is entitled to royalties.

For multiple-element arrangements that are not subject to a higher level of authoritative literature, the Company follows the authoritative guidance for accounting for revenue arrangements with multiple deliverables in determining the separate units of accounting. For those arrangements subject to appropriate separation criteria, the Company must determine whether the various elements meet the criteria to be accounted for as separate elements. If the elements cannot be separated, revenue is recognized once revenue recognition criteria for the entire arrangement have been met or over the period that the Company's obligations to the customer are fulfilled, as appropriate. If the elements are determined to be separable, the revenue is allocated to the separate elements based on relative fair value and recognized separately for each element when the applicable revenue recognition criteria have been met. In accounting for these multiple element arrangements, the Company must make determinations about whether elements can be accounted for separately and make estimates regarding their relative fair values.

Cost of Products Sold

Royalties payable in connection with certain licensing agreements (see Note 8) are reflected in cost of products sold as incurred.

Stock-Based Compensation

During the years ended December 31, 2010, 2011 and 2012, the Company's income from operations and income before income taxes were reduced by $336 thousand, $414 thousand and $378 thousand, respectively, and net income was reduced by $287 thousand, $348 thousand and $219 thousand, respectively, for compensation related to stock options issued. Basic and diluted earnings per share were reduced by $0.05 and $0.05 in 2010, $0.07 and $0.07 in 2011 and $0.04 and $0.04 in 2012. For all years presented, there was no material impact on cash flow from operations and cash flow from financing activities. At December 31, 2012, the Company had two stock-based compensation plans. See Note 6 for a description of these plans and additional disclosures regarding the plans.

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses were $735 thousand, $621 thousand and $701 thousand for the years ended December 31, 2010, 2011 and 2012, respectively.

Income Taxes

The Company records a current provision for income taxes based on estimated amounts payable or refundable on tax returns filed or to be filed each year. 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, in each tax jurisdiction, 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 operations in the period that includes the enactment date. The overall change in deferred tax assets and liabilities for the period measures the deferred tax expense or benefit for the period. Deferred tax assets are reduced by a valuation allowance based on a judgmental assessment of available evidence if the Company is unable to conclude that it is more likely than not that some or all of the deferred tax assets will be realized.

Basic and Diluted Net Income (Loss) Per Share

Basic net income (loss) per common share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the sum of the weighted average number of shares of common stock outstanding, and, if not anti-dilutive, the effect of outstanding common stock equivalents (such as stock options and warrants) determined using the treasury stock method. At December 31, 2010, 2011 and 2012, securities that have been excluded from diluted net income per share because they would be anti-dilutive are outstanding options to purchase 1,121,264, 1,029,151 and 643,094 shares, respectively, of the Company’s common stock. Securities included in the diluted net income per share calculation at December 31, 2010, 2011, and 2012 using the treasury stock method, were outstanding options to purchase approximately 34 thousand, 101 thousand and 163 thousand shares of the Company’s common stock, respectively.

Comprehensive Income (Loss)

Comprehensive income (loss) includes net income adjusted for the results of certain stockholders’ equity changes. Such changes include foreign currency items and minimum pension liability adjustments. At December 31, 2012, Accumulated Other Comprehensive Income (Loss) consists of $912 thousand gain for cumulative translation adjustments, $629 thousand loss for unrealized pension liability and $13 thousand of unrealized gain on available for sale investments. At December 31, 2011, Accumulated Other Comprehensive Income (Loss) consists of $838 thousand gain for cumulative translation adjustments, $609 thousand loss for unrealized pension liability and $13 thousand of unrealized gain on available for sale investments. At December 31, 2010, Accumulated Other Comprehensive Income (Loss) consists of $851 thousand gain for cumulative translation adjustments, $589 thousand loss for unrealized pension liability and $22 thousand of unrealized gain on available for sale investments.

Foreign Currency Translation

The functional currency of the Company’s Swiss subsidiary is the Swiss Franc. Assets and liabilities of the Company’s Swiss subsidiary are translated using the exchange rate in effect at the balance sheet date. Revenue and expense accounts and cash flows are translated using an average of exchange rates in effect during the period. Cumulative translation gains and losses are shown in the consolidated balance sheets as a separate component of stockholders’ equity. Exchange gains and losses arising from transactions denominated in foreign currencies (i.e., transaction gains and losses) are recognized as a component of other income (expense) in current operations, as are exchange gains and losses on intercompany transactions expected to be settled in the near term.

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Recent Accounting Pronouncements

Management has evaluated recent accounting pronouncements and determined none would have a material impact on the Company's financial statements.

3. CREDIT FACILITY

The Company has a credit and security agreement with Wells Fargo Bank, National Association which expires December 31, 2013. The agreement includes a $15.0 million asset-based revolving line of credit with a stated interest rate at December 31, 2012 of LIBOR plus 2.75% (3.125%). The stated interest rate will increase to LIBOR plus 3.75% effective January 1, 2013 based on the Company's financial results for the year ended December 31, 2012. There is an annual minimum interest charge of $100 thousand under the agreement. Amounts due under the credit facility are secured by a first security interest in essentially all of the Company's assets. Under the agreement, the Company is required to comply with certain financial and non-financial covenants. Among the financial covenants are requirements for monthly minimum capital, quarterly minimum net income and monthly minimum liquidity. The amount available for borrowings under the line of credit varies based upon available cash, eligible accounts receivable and eligible inventory. As of December 31, 2012, there was $2.6 million of borrowings outstanding and there was approximately $8.3 million available capacity for borrowings under the line of credit agreement.

4. SUPPLEMENTAL DISCLOSURE OF INTEREST AND OTHER EXPENSE (INCOME) INFORMATION

	Year Ended December 31,		
	2010	2011	2012
	(in thousands)		
Interest and other expense (income):			
Interest income	$ (58)	$(268)	$ (95)
Interest expense	189	124	117
Other, net	158	27	113
	$289	$(117)	$135

5. INCOME TAXES

As of December 31, 2012, the Company had a domestic net operating loss carryforward ("NOL"), of approximately $113.5 million, a domestic alternative minimum tax credit carryforward of approximately $233 thousand and domestic research and development tax credit carryforward of approximately $526 thousand for federal tax purposes. The Company's federal NOL is expected to expire as follows if unused: $107.6 million in 2018 through 2022, $5.5 million in 2024 and 2025 and $385 thousand in 2027. The NOL and tax credit carryforwards are subject to alternative minimum tax limitations and to examination by the tax authorities. In addition, the Company had a "change of ownership" as defined under the provisions of Section 382 of the Internal Revenue Code of 1986, as amended (an "Ownership Change"). The Company does not believe this Ownership Change will place a significant restriction on its ability to utilize its NOL in the future.

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Company is subject to income taxes in the U.S. federal jurisdiction, and various foreign, state and local jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. In the United States, the tax years 2008 – 2010 remain open to examination by the federal Internal Revenue Service and the tax years 2007 – 2010 remain open for various state taxing authorities.

The components of income (loss) before income taxes were as follows (in thousands):

	Year Ended December 31,		
	2010	2011	2012
Domestic	$(101)	$3,189	$1,869
Foreign	170	177	154
	$ 69	$3,366	$2,023

Temporary differences that give rise to the components of deferred tax assets are as follows (in thousands):

	December 31,	
	2011	2012
Current deferred tax assets:		
Inventory	$ 289	$ 323
Accrued compensation	237	251
Net operating loss carryforwards – domestic	1,151	45
Other	862	1,252
	2,539	1,871
Valuation allowance	(1,369)	(741)
Total current deferred tax assets	$ 1,170	$ 1,130
Noncurrent deferred tax assets:		
Research and development tax credit	$ 553	$ 526
Alternative minimum tax credit	228	233
Deferred revenue	1,840	1,884
Property and equipment	1,932	2,059
Net operating loss carryforwards – domestic	52,456	39,541
	57,009	44,243
Valuation allowance	(29,875)	(17,497)
Total noncurrent deferred tax assets	$ 27,134	$ 26,746

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The components of the income tax expense (benefit) are as follows (in thousands):

	Year Ended December 31,		
	2010	2011	2012
Current income tax expense (benefit):			
Federal	$ 7	$ 37	$ 41
State	16	90	140
Foreign	38	38	33
Total current expense (benefit)	61	165	214
Deferred income tax expense (benefit):			
Federal	(9)	977	560
State	(1)	79	46
Foreign	—	—	—
Total deferred expense (benefit)	(10)	1,056	606
Total income tax expense (benefit)	$ 51	$1,221	$820

The Company's income tax expense (benefit) relating to income (loss) for the periods presented differs from the amounts that would result from applying the federal statutory rate to that income (loss) as follows:

	Year Ended December 31,		
	2010	2011	2012
Statutory federal tax rate	34%	34%	34%
State income taxes, net of federal benefit	52%	3%	4%
Other permanent differences	121%	3%	6%
Change in tax rate	40%	(4)%	(1)%
Foreign rate difference	(29)%	(1)%	(1)%
Change in valuation allowance	(472)%	(137)%	(638)%
Other	328%	138%	637%
Effective income tax rate	74%	36%	41%

6. CAPITAL STOCK

Common Stock

The Company completed a 1-for-10 reverse stock split which was effective on December 30, 2010. Except as otherwise indicated, all related amounts reported in the consolidated financial statements, including common share quantities, earnings per share amounts and exercise prices of options, have been retroactively adjusted for the effect of this reverse stock split.

Stock Option Plans

The Company has two stock option plans which authorize granting of stock options and stock purchase rights to employees, officers, directors and consultants of the Company to purchase shares of common stock. In 1997, the board of directors adopted the 1997 Stock Incentive Plan (the "1997 Plan") and terminated two prior option plans. All shares that remained available for grant under the terminated plans were incorporated into the 1997 Plan, including shares subsequently cancelled under prior plans. In May 2012, the stockholders approved an amendment to the 1997 Plan allowing for an increase of 250,000 shares and an annual increase through 2016 based on the number of non-employee directors serving as of the Company's Annual Meeting of Stockholders, subject to a maximum of 45,000 shares per year. In May 2009, the stockholders approved an amendment to the 1997 Plan allowing for the continued issuance of incentive stock options and a 25,000 reduction in shares which may be issued under the 1997 Plan. In May 2003, the stockholders approved a new plan, the 2003 Stock Incentive Plan, which allows for the granting of options for up to 239,050 shares of the Company's common stock. The number of shares reserved for issuance under all plans as of January 1, 2013 was 365,782.

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The stock options granted by the board of directors may be either incentive stock options ("ISOs") or non-qualified stock options ("NQs"). The exercise price for options under all of the plans may be no less than 100% of the fair value of the underlying common stock for ISOs or 85% of fair value for NQs. Options granted will expire no later than the tenth anniversary subsequent to the date of grant or three months following termination of employment, except in cases of death or disability, in which case the options will remain exercisable for up to twelve months. Under the terms of the 1997 Plan, in the event the Company is sold or merged, outstanding options will either be assumed by the surviving corporation or vest immediately.

There are four key inputs to the Black-Scholes model which the Company uses to estimate fair value for options which it issues: expected term, expected volatility, risk-free interest rate and expected dividends, all of which require the Company to make estimates. The Company's estimates for these inputs may not be indicative of actual future performance and changes to any of these inputs can have a material impact on the resulting estimated fair value calculated for the option. The Company's expected term input was estimated based on the Company's historical experience for time from option grant to option exercise for all employees in 2012, 2011 and 2010; the Company treated all employees in one grouping in all three years. The Company's expected volatility input was estimated based on the Company's historical stock price volatility in 2012, 2011 and 2010. The Company's risk-free interest rate input was determined based on the U.S. Treasury yield curve at the time of option issuance in 2012, 2011 and 2010. The Company's expected dividends input was 4.3% in 2012 and zero in 2011 and 2010. Weighted average assumptions used in 2012, 2011 and 2010 for each of these four key inputs are listed in the following table:

	2010	2011	2012
Risk-free interest rate	1.10%	0.64%	0.38%
Expected lives	3.0 years	3.0 years	3.0 years
Expected volatility	66%	70%	57%
Expected dividend yield	0%	0%	4.3%

A summary of the Company's stock option plans, with options to purchase fractional shares resulting from the Company's December 2010 1-for-10 reverse stock split included in the "cancelled" row in 2010, is as follows:

	Year Ended December 31,					
	2010		2011		2012	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of period	1,291,634	$11.846	1,341,876	$11.003	1,448,675	$10.425
Granted at Market	104,900	$ 5.945	187,750	$ 6.962	137,950	$ 9.534
Cancelled	(53,459)	$21.572	(73,871)	$12.684	(118,330)	$11.373
Exercised	(1,199)	$ 5.834	(7,080)	$ 4.564	(223,134)	$ 5.863
Outstanding at end of period	1,341,876	$11.003	1,448,675	$10.425	1,245,161	$11.054
Exercisable at end of period	1,142,209	$11.871	1,175,731	$11.427	971,029	$12.129

The total estimated fair value of stock options granted during the years ended December 31, 2012, 2011 and 2010 were computed to be approximately $402 thousand, $602 thousand and $274 thousand, respectively. The amounts are amortized ratably over the vesting periods of the options. The weighted average estimated fair value of options granted during the years ended December 31, 2012, 2011 and 2010 was computed to be approximately $2.92, $3.21and $2.57, respectively. The total intrinsic value of options exercised during the years ended December 31, 2012, 2011 and 2010 was $1.1 million, $10 thousand and $2 thousand, respectively. The cash proceeds from options exercised during the years ended December 31, 2012, 2011 and 2010 was $263 thousand, $32 thousand and $7 thousand.

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2012, excluding outstanding options to purchase an aggregate of 106.4 fractional shares resulting from the Company's December 2010 1-for-10 reverse stock split with a weighted average remaining contractual life of 1.85 years, a weighted average exercise price of $13.63 and exercise prices ranging from $4.40 to $31.50. The Company intends to issue whole shares only from option exercises.

	Options Outstanding			Options Exercisable	
Exercise Prices	Number of Options Outstanding at December 31, 2012	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number of Options Exercisable at December 31, 2012	Weighted Average Exercise Price
$2.70 - $ 6.76	270,303	7.11	$ 5.166	188,446	$45.040
$6.77 - $ 8.60	272,832	8.01	$ 7.764	94,614	$ 7.667
$8.61 - $12.40	234,643	3.50	$ 9.693	220,586	$ 9.683
$12.41 - $16.50	237,811	2.85	$14.051	237,811	$14.051
$16.51 - $31.50	229,572	2.95	$20.182	229,572	$20.182
$2.70 - $31.50	1,245,161	5.05	$11.054	971,029	$12.129

As of December 31, 2012, there was $760 thousand of total unrecognized compensation expense related to outstanding stock options. That cost is expected to be recognized over a weighted-average period of 2.0 years with all cost to be recognized by the end of December 2016, assuming all options vest according to the vesting schedules in place at December 31, 2012. As of December 31, 2012, the aggregate intrinsic value of outstanding options was $944 thousand and the aggregate intrinsic value of exercisable options was $632 thousand.

Employee Stock Purchase Plan (the "ESPP")

Under the 1997 Employee Stock Purchase Plan, the Company is authorized to issue up to 325,000 shares of common stock to its employees, of which 315,329 had been issued as of December 31, 2012. Employees of the Company and its U.S. subsidiaries who are expected to work at least 20 hours per week and five months per year are eligible to participate. Under the terms of the plan, employees can choose to have up to 10% of their annual base earnings withheld to purchase the Company's common stock. Each offering period is five years, with six-month accumulation periods ending June 30 and December 31. The purchase price of the stock for June 30 and December 31 was 85% of the end-of-measurement-period market price.

For the years ended December 31, 2010, 2011 and 2012, the weighted-average fair value of the purchase rights granted was $0.95, $1.09 and $1.45 per share, respectively.

7. MAJOR CUSTOMERS

The Company had no customers in 2012 to whom sales represented more than 10% of total revenue. The Company had one customer to whom sales represented approximately 13% of total revenue for 2011. The Company had one customer to whom sales represented approximately 13% of total revenue for 2010. One customer represented approximately 29% of accounts receivable at December 31, 2012 and no other customer represented 10% or more of total accounts receivable at December 31, 2012 and 2011.

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

8. COMMITMENTS AND CONTINGENCIES

The Company holds certain rights to market and manufacture all products developed or created under certain research, development and licensing agreements with various entities. In connection with such agreements, the Company has agreed to pay the entities royalties on net product sales. In the years ended December 31, 2012, 2011 and 2010, royalties of $503 thousand, $513 thousand and $515 thousand became payable under these agreements, respectively.

The Company has contracts with suppliers for unconditional annual minimum inventory purchases and milestone obligations to third parties the Company believes are likely to be triggered currently totaling approximately $5.0 million for fiscal 2013, $6.8 million for fiscal 2014, $3.3 million for fiscal 2015 and $3.0 million for fiscal 2016.

The Company has entered into operating leases for its office and research facilities and certain equipment with future minimum payments as of December 31, 2012 as follows (in thousands):

Year Ending December 31,	
2013	$ 1,975
2014	1,648
2015	1,562
2016	1,545
2017	1,518
Thereafter	8,496
	$16,744

The Company had rent expense of $1.8 million, $1.8 million and $1.8 million in 2010, 2011 and 2012, respectively.

From time to time, the Company may be involved in litigation relating to claims arising out of its operations. At December 31, 2012, the Company was not a party to any legal proceedings that were expected, individually or in the aggregate, to have a material adverse effect on our business, financial condition or operating results.

The Company's current terms and conditions of sale include a limited warranty that its products and services will conform to published specifications at the time of shipment and a more extensive warranty related to certain of its products. The typical remedy for breach of warranty is to correct or replace any defective product, and if not possible or practical, the Company will accept the return of the defective product and refund the amount paid. Historically, the Company has incurred minimal warranty costs. The Company's warranty reserve on December 31, 2012 was $451 thousand.

9. SEGMENT REPORTING

The Company is comprised of two reportable segments, Core Companion Animal Health ("CCA") and Other Vaccines, Pharmaceuticals and Products ("OVP"). The Core Companion Animal Health segment includes diagnostic instruments and supplies, as well as single use diagnostic and other tests, pharmaceuticals and vaccines, primarily for canine and feline use. These products are sold directly by the Company as well as through independent third-party distributors and through other distribution relationships. CCA segment products manufactured at the Des Moines, Iowa production facility included in the OVP segment's assets are transferred at cost and are not recorded as revenue for the OVP segment. The Other Vaccines, Pharmaceuticals and Products segment includes private label vaccine and pharmaceutical production, primarily for cattle, but also for other animals including small mammals and fish. All OVP products are sold by third parties under third-party labels.

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Additionally, the Company generates non-product revenue from research and development projects for third parties, licensing of technology and royalties. The Company performs these research and development projects for both companion animal and livestock purposes.

Summarized financial information concerning the Company's reportable segments is shown in the following table (in thousands):

	Core Companion Animal Health	Other Vaccines, Pharmaceuticals and Products	Total
2010:			
Total revenue	$ 55,655	$ 9,796	$65,451
Operating income (loss)	1,073	(715)	358
Interest expense	128	61	189
Total assets	53,720	9,328	63,048
Net assets	39,016	6,782	45,798
Capital expenditures	366	254	620
Depreciation and amortization	1,413	885	2,298

	Core Companion Animal Health	Other Vaccines, Pharmaceuticals and Products	Total
2011:			
Total revenue	$ 57,481	$ 12,584	$70,065
Operating income	1,564	1,685	3,249
Interest expense	107	17	124
Total assets	51,172	10,722	61,894
Net assets	40,435	8,004	48,439
Capital expenditures	495	589	1,084
Depreciation and amortization	1,192	860	2,052

	Core Companion Animal Health	Other Vaccines, Pharmaceuticals and Products	Total
2012:			
Total revenue	$ 61,502	$ 11,303	$72,805
Operating income	1,160	998	2,158
Interest expense	91	26	117
Total assets	55,071	11,755	66,826
Net assets	39,726	9,136	48,862
Capital expenditures	634	875	1,509
Depreciation and amortization	862	837	1,699

HESKA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Total revenue by principal geographic area was as follows (in thousands):

	For the Years Ended December 31,		
	2010	2011	2012
United States	$57,927	$60,383	$64,552
Europe	3,025	3,408	2,996
Other International	4,499	6,274	5,257
Total	$65,451	$70,065	$72,805

Total assets by principal geographic areas were as follows (in thousands):

	December 31,		
	2010	2011	2012
United States	$59,155	$58,984	$63,980
Europe	3,893	2,910	2,846
Other International	—	—	—
Total	$63,048	$61,894	$66,826

10. QUARTERLY FINANCIAL INFORMATION (unaudited)

The following summarizes selected quarterly financial information for each of the two years in the periods ended December 31, 2011 and 2012 (amounts in thousands, except per share data).

	Q1	Q2	Q3	Q4	Total
2011:					
Total revenue	$19,505	$17,447	$17,608	$15,505	$70,065
Gross profit	8,298	7,469	6,827	6,593	29,187
Operating income	1,540	887	408	414	3,249
Net income	916	457	288	484	2,145
Net income per share – basic	0.18	0.09	0.06	0.09	0.41
Net income per share – diluted	0.17	0.09	0.05	0.09	0.40
2012:					
Total revenue	$19,175	$18,271	$16,906	$18,453	$72,805
Gross profit	8,923	8,048	6,726	7,404	31,101
Operating income (loss)	1,082	383	(27)	720	2,158
Net income (loss)	584	262	(32)	389	1,203
Net income (loss) per share – basic	0.11	0.05	(0.01)	0.07	0.23
Net income (loss) per share – diluted	0.11	0.05	(0.01)	0.07	0.22

11. SUBSEQUENT EVENT

The Company acquired 54.6% of Cuattro Veterinary USA, LLC (“Cuattro Vet”) effective February 24, 2013 for approximately $7.6 million in cash and stock, including slightly more than $4 million in cash. Immediately following and as a result of the transaction, former Cuattro Vet unit holders will own approximately 7.2% of the Company’s Public Common Stock. The remaining minority position in Cuattro Vet is subject to purchase by the Company under performance-based puts and calls following calendar year 2015, 2016 and 2017. The Company’s position in Cuattro Vet is subject to premium repurchase or discounted sale under calls and puts expiring 18 months following the closing of the transaction.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

***Evaluation of Disclosure Controls and Procedures*.**

Our management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined by Rule 13a-15 of the Exchange Act, as of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding disclosure.

Management's Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on criteria outlined in the COSO Internal Control over Financial Reporting – Guidance for Smaller Public Companies, a supplemental implementation guide issued in 2007 which modified criteria established in the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2012.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even an effective system of internal control will provide only reasonable assurance that the objectives of the internal control system are met.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

***Changes in Internal Control over Financial Reporting*.**

There has been no change in our internal control over financial reporting during the fourth fiscal quarter covered by this Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Certain information required by Part III is incorporated by reference to our definitive Proxy Statement filed with the Securities and Exchange Commission in connection with the solicitation of proxies for our 2013 Annual Meeting of Stockholders.

Item 10. Directors, Executive Officers and Corporate Governance.

Executive Officers

The information required by this item with respect to executive officers is incorporated by reference to Item 1 of this report and can be found under the caption “Executive Officers of the Registrant.”

Directors

The information required by this section with respect to our directors will be incorporated by reference to the information in the sections entitled “Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement.

Code of Ethics

Our Board of Directors has adopted a code of ethics for our senior executive and financial officers (including our principal executive officer, principal financial officer and principal accounting officer). The code of ethics is available on our website at www.heska.com. We intend to disclose any amendments to or waivers from the code of ethics at that location.

Audit Committee

The information required by this section with respect to our Audit Committee will be incorporated by reference to the information in the section entitled “Board Structure and Committees” in the Proxy Statement.

Section 16(a) Beneficial Ownership Reporting Compliance

The information required by this item is incorporated by reference to the information in the section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement.

Item 11. Executive Compensation.

The information required by this section will be incorporated by reference to the information in the sections entitled “Director Compensation,” “Executive Compensation,” “Compensation Committee Report” and “Compensation Committee Interlocks and Insider Participation” in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The other information required by this section will be incorporated by reference to the information in the section entitled “Common Stock Ownership of Certain Beneficial Owners and Management” in the Proxy Statement.

Equity Compensation Plan Information

The following table sets forth information about our common stock that may be issued upon exercise of options and rights under all of our equity compensation plans as of December 31, 2012, including the 1988 Stock Option Plan, the 1997 Stock Incentive Plan, the 2003 Stock Incentive Plan and the 1997 Employee Stock Purchase Plan. Our stockholders have approved all of these plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights (1)	(b) Weighted-Average Exercise Price of Outstanding Options and Rights (1)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
Equity Compensation Plans Approved by Stockholders	1,245,161	$ 11.05	374,174
Equity Compensation Plans Not Approved by Stockholders	None	None	None
Total	1,245,161	$ 11.05	374,174

(1) Excluding outstanding options to purchase an aggregate of 106.4 fractional shares resulting from our December 2010 reverse stock split.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information required by this section will be incorporated by reference to the information in the sections entitled “Board Structures and Committees” and “Significant Relationships and Transactions with Directors, Officers or Principal Stockholders” in the Proxy Statement.

Item 14. Principal Accountant Fees and Services.

The information required by this section will be incorporated by reference to the information in the section entitled “Auditor Fees and Services” in the Proxy Statement.

The information required by Part III to the extent not set forth herein, will be incorporated herein by reference to our definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as a part of this Form 10-K.

(1) Financial Statements:

Reference is made to the Index to Consolidated Financial Statements under Item 8 in Part II of this Form 10-K.

(2) Financial Statement Schedules:

Schedule II – Valuation and Qualifying Accounts.

SCHEDULE II

HESKA CORPORATION AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(amounts in thousands)

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Other Additions	Deductions	Balance at End of Year
Allowance for doubtful accounts					
Year ended:					
December 31, 2010	$ 177	$ 57	—	$ (98)(a)	$ 136
December 31, 2011	$ 136	$ 109	—	$ (71)(a)	$ 174
December 31, 2012	$ 174	$ 76	—	$ (95)(a)	$ 155

(a) Write-offs of uncollectible accounts.

(3) Exhibits:

The exhibits listed below are required by Item 601 of Regulation S-K. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K has been identified.

Exhibit Number	Notes	Description of Document
3(i)**		Restated Certificate of Incorporation of the Registrant.
3(ii)**		Certificate of Amendment to Restated Certificate of Incorporation of Registrant.
3(iii)**		Certificate of Amendment to the Restated Certificate of Incorporation, as amended, of Registrant.
3(iv)	(14)	Bylaws of the Registrant.
3(v)**		Amended and Restated Operating Agreement of Heska Imaging US, LLC.
10.1*/**		1997 Stock Incentive Plan of Registrant, as amended.
10.2*/**		1997 Stock Incentive Plan of Registrant, as amended and restated.
10.3*	(10)	1997 Stock Incentive Plan Employees and Consultants Option Agreement.
10.4*	(10)	1997 Stock Incentive Plan Outside Directors Option Agreement.
10.5*	(13)	2003 Equity Incentive Plan, as amended and restated.
10.6*	(13)	2003 Equity Incentive Plan Option Agreement.
10.7*	(14)	1997 Employee Stock Purchase Plan of Registrant, as amended.
10.8*	(9)	Management Incentive Plan Master Document.
10.9*/**		Director Compensation Policy.
10.10*	(11)	Form of Indemnification Agreement entered into between Registrant and its directors and certain officers.
10.11*	(8)	Amended and Restated Employment Agreement with Robert B. Grieve, dated March 29, 2006.
10.12*	(11)	Amendment to Employment Agreement between Registrant and Robert B. Grieve, dated effective as of January 1, 2008.
10.13*/**		Employment Agreement between Registrant and Kevin S. Wilson, dated effective February 22, 2013.
10.14*	(4)	Employment Agreement between Registrant and Jason Napolitano, dated May 6, 2002.
10.15*	(11)	Amendment to Employment Agreement between Registrant and Jason Napolitano, dated effective as of January 1, 2008.
10.16*	(10)	Employment Agreement between Diamond Animal Health, Inc. and Michael McGinley, dated May 1, 2000.
10.17*	(11)	Amendment to Employment Agreement between Diamond Animal Health, Inc. and Michael McGinley, dated effective as of January 1, 2008.
10.18*	(16)	Assignment and Second Amendment to Employment Agreement between Registrant and Michael J. McGinley, dated effective as of August 4, 2011.
10.19*	(10)	Employment Agreement between Registrant and Nancy Wisnewski, dated April 15, 2002.
10.20*	(11)	Amendment to Employment Agreement between Registrant and Nancy Wisnewski, dated effective as of January 1, 2008.
10.21*	(16)	Employment Agreement between Registrant and Joseph P. Aperfine, dated effective as of August 4, 2011.
10.22*/**		Employment Agreement between Registrant and Steve Asakowicz, dated effective as of February 22, 2013.
10.23*/**		Employment Agreement between Registrant and Rod Lippincott, dated effective February 22, 2013.
10.24*	(4)	Employment Agreement between Registrant and Michael Bent, dated May 1, 2000.
10.25*	(11)	Amendment to Employment Agreement between Registrant and Michael Bent, dated effective as of January 1, 2008.

Exhibit Number	Notes	Description of Document
10.26	(6)	Net Lease Agreement between Registrant and CCMRED 40, LLC, dated May 24, 2004.
10.27	(7)	First Amendment to Net Lease Agreement and Development Agreement between Registrant and CCMRED 40, LLC, dated February 11, 2005.
10.28	(7)	Second Amendment to Net Lease Agreement between Registrant and CCMRED 40, LLC, dated July 14, 2005.
10.29	(13)	Third Amendment to Net Lease Agreement between Registrant and Millbrae Square Company, effective as of January 1, 2010.
10.30+	(10)	Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Business Credit, Inc., dated December 30, 2005.
10.31+	(11)	First Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated December 5, 2006.
10.32+	(11)	Second Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated July 20, 2007.
10.33	(11)	Third Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated December 21, 2007.
10.34+	(12)	Fourth and Fifth Amendments to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated October 16, 2008.
10.35+	(13)	Sixth Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated December 30, 2008.
10.36+	(17)	Seventh Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated November 30, 2009.
10.37+	(17)	Eighth Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated December 15, 2010.
10.38+	(18)	Ninth Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated December 21, 2011.
10.39+	(18)	Tenth Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated February 9, 2012.
10.40+/**		Eleventh Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated November 5, 2012.
10.41+	(1)	Product Supply Agreement between Registrant and Quidel Corporation, dated July 3, 1997.
10.42+	(2)	First Amendment to Product Supply Agreement between Registrant and Quidel Corporation, dated March 15, 1999.
10.43	(13)	Letter Amendment to Product Supply Agreement between Registrant and Quidel Corporation dated July 7, 2004.
10.44+	(3)	Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated September 30, 2002.

Exhibit Number	Notes	Description of Document
10.45+	(5)	First Amendment to Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated September 20, 2004.
10.46+	(10)	Second Amendment to Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated December 10, 2004.
10.47+	(10)	Third Amendment to Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated May 26, 2006.
10.48+	(11)	Fourth Amendment to Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated as of November 16, 2007.
10.49+	(15)	Fifth Amendment to Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated as of December 23, 2010.
10.50+	(18)	Sixth Amendment to Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated as of July 25, 2011.
10.51+	(10)	Supply and Distribution Agreement between Registrant and Boule Medical AB, dated June 17, 2003, Letter Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated June 1, 2004 and Letter Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated December 31, 2004.
10.52+	(12)	Letter Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated July 12, 2005; Letter Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated March 20, 2007; Letter Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated January 23, 2008; and Sixth Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated October 1, 2008.
10.53	(16)	Seventh Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated June 1, 2011.
10.54+	(10)	Supply and License Agreement between Registrant and Schering-Plough Animal Health Corporation, dated as of August 1, 2003.
10.55+	(13)	Amendment No. 1 to Supply and License Agreement between Registrant and Schering-Plough Animal Health Corporation, dated August 31, 2005.
10.56+/**		Amendment No. 2 to Supply and License Agreement between Registrant and Intervet Inc., dated December 7, 2011.
10.57+	(11)	Clinical Chemistry Analyzer Agreement between Registrant and FUJIFILM Corporation, dated as of January 30, 2007.
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23.1		Consent of Ehrhardt Keefe Steiner & Hottman PC, Independent Registered Public Accounting Firm.
24.1		Power of Attorney (See Signature Page of this Form 10-K).
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(17) Filed with the Registrant's Form 10-Q for the quarter ended September 30, 2011.
(18) Filed with the Registrant's Form 10-K for the year ended December 31, 2011.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 14, 2013.

HESKA CORPORATION

By: /s/ ROBERT B. GRIEVE
Robert B. Grieve
Chairman of the Board and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert B. Grieve, Jason A. Napolitano and Michael A. Bent, and each of them, his or her true and lawful attorneys-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any amendments to this report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ ROBERT B. GRIEVE Robert B. Grieve	Chairman of the Board and Chief Executive Officer (Principal Executive Officer) and Director	March 14, 2013
/s/ JASON A. NAPOLITANO Jason A. Napolitano	Executive Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)	March 14, 2013
/s/ MICHAEL A. BENT Michael A. Bent	Vice President, Controller (Principal Accounting Officer)	March 14, 2013
/s/ WILLIAM A. AYLESWORTH William A. Aylesworth	Lead Director	March 14, 2013
/s/ PETER EIO Peter Eio	Director	March 14, 2013
/s/ G. IRWIN GORDON G. Irwin Gordon	Director	March 14, 2013
/s/ LOUISE L. McCORMICK Louise L. McCormick	Director	March 14, 2013
/s/ SHARON L. RILEY Sharon L. Riley	Director	March 14, 2013
/s/ CAROL A. WRENN Carol A. Wrenn	Director	March 14, 2013

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Exhibit Index

Exhibit Number	Notes	Description of Document
3(i)**		Restated Certificate of Incorporation of the Registrant.
3(ii)**		Certificate of Amendment to Restated Certificate of Incorporation of Registrant.
3(iii)**		Certificate of Amendment to the Restated Certificate of Incorporation, as amended, of Registrant.
3(iv)	(14)	Bylaws of the Registrant.
3(v)**		Amended and Restated Operating Agreement of Heska Imaging US, LLC.
10.1*/**		1997 Stock Incentive Plan of Registrant, as amended.
10.2*/**		1997 Stock Incentive Plan of Registrant, as amended and restated.
10.3*	(10)	1997 Stock Incentive Plan Employees and Consultants Option Agreement.
10.4*	(10)	1997 Stock Incentive Plan Outside Directors Option Agreement.
10.5*	(13)	2003 Equity Incentive Plan, as amended and restated.
10.6*	(13)	2003 Equity Incentive Plan Option Agreement.
10.7*	(14)	1997 Employee Stock Purchase Plan of Registrant, as amended.
10.8*	(9)	Management Incentive Plan Master Document.
10.9*/**		Director Compensation Policy.
10.10*	(11)	Form of Indemnification Agreement entered into between Registrant and its directors and certain officers.
10.11*	(8)	Amended and Restated Employment Agreement with Robert B. Grieve, dated March 29, 2006.
10.12*	(11)	Amendment to Employment Agreement between Registrant and Robert B. Grieve, dated effective as of January 1, 2008.
10.13*/**		Employment Agreement between Registrant and Kevin S. Wilson, dated effective February 22, 2013.
10.14*	(4)	Employment Agreement between Registrant and Jason Napolitano, dated May 6, 2002.
10.15*	(11)	Amendment to Employment Agreement between Registrant and Jason Napolitano, dated effective as of January 1, 2008.
10.16*	(10)	Employment Agreement between Diamond Animal Health, Inc. and Michael McGinley, dated May 1, 2000.
10.17*	(11)	Amendment to Employment Agreement between Diamond Animal Health, Inc. and Michael McGinley, dated effective as of January 1, 2008.
10.18*	(16)	Assignment and Second Amendment to Employment Agreement between Registrant and Michael J. McGinley, dated effective as of August 4, 2011.
10.19*	(10)	Employment Agreement between Registrant and Nancy Wisnewski, dated April 15, 2002.
10.20*	(11)	Amendment to Employment Agreement between Registrant and Nancy Wisnewski, dated effective as of January 1, 2008.
10.21*	(16)	Employment Agreement between Registrant and Joseph P. Aperfine, dated effective as of August 4, 2011.
10.22*/**		Employment Agreement between Registrant and Steve Asakowicz, dated effective as of February 22, 2013.
10.23*/**		Employment Agreement between Registrant and Rod Lippincott, dated effective February 22, 2013.
10.24*	(4)	Employment Agreement between Registrant and Michael Bent, dated May 1, 2000.
10.25*	(11)	Amendment to Employment Agreement between Registrant and Michael Bent, dated effective as of January 1, 2008.

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Exhibit Number	Notes	Description of Document
10.26	(6)	Net Lease Agreement between Registrant and CCMRED 40, LLC, dated May 24, 2004.
10.27	(7)	First Amendment to Net Lease Agreement and Development Agreement between Registrant and CCMRED 40, LLC, dated February 11, 2005.
10.28	(7)	Second Amendment to Net Lease Agreement between Registrant and CCMRED 40, LLC, dated July 14, 2005.
10.29	(13)	Third Amendment to Net Lease Agreement between Registrant and Millbrae Square Company, effective as of January 1, 2010.
10.30+	(10)	Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Business Credit, Inc., dated December 30, 2005.
10.31+	(11)	First Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated December 5, 2006.
10.32+	(11)	Second Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated July 20, 2007.
10.33	(11)	Third Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated December 21, 2007.
10.34+	(12)	Fourth and Fifth Amendments to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated October 16, 2008.
10.35+	(13)	Sixth Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated December 30, 2008.
10.36+	(17)	Seventh Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated November 30, 2009.
10.37+	(17)	Eighth Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated December 15, 2010.
10.38+	(18)	Ninth Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated December 21, 2011.
10.39+	(18)	Tenth Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated February 9, 2012.
10.40+/**		Eleventh Amendment to Third Amended and Restated Credit and Security Agreement between Registrant, Diamond Animal Health, Inc. and Wells Fargo Bank, National Association, dated November 5, 2012.
10.41+	(1)	Product Supply Agreement between Registrant and Quidel Corporation, dated July 3, 1997.
10.42+	(2)	First Amendment to Product Supply Agreement between Registrant and Quidel Corporation, dated March 15, 1999.
10.43	(13)	Letter Amendment to Product Supply Agreement between Registrant and Quidel Corporation dated July 7, 2004.
10.44+	(3)	Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated September 30, 2002.

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10.45+	(5)	First Amendment to Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated September 20, 2004.
10.46+	(10)	Second Amendment to Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated December 10, 2004.
10.47+	(10)	Third Amendment to Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated May 26, 2006.
10.48+	(11)	Fourth Amendment to Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated as of November 16, 2007.
10.49+	(15)	Fifth Amendment to Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated as of December 23, 2010.
10.50+	(18)	Sixth Amendment to Amended and Restated Bovine Vaccine Distribution Agreement between Diamond Animal Health, Inc. and Agri Laboratories, Ltd., dated as of July 25, 2011.
10.51+	(10)	Supply and Distribution Agreement between Registrant and Boule Medical AB, dated June 17, 2003, Letter Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated June 1, 2004 and Letter Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated December 31, 2004.
10.52+	(12)	Letter Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated July 12, 2005; Letter Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated March 20, 2007; Letter Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated January 23, 2008; and Sixth Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated October 1, 2008.
10.53	(16)	Seventh Amendment to Supply and Distribution Agreement between Registrant and Boule Medical AB, dated June 1, 2011.
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Exhibit 3(i)

RESTATED CERTIFICATE OF INCORPORATION

OF

HESKA CORPORATION

HESKA CORPORATION, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

FIRST: The name of this corporation is Heska Corporation.

SECOND: The original Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on March 27, 1997 and the original name of the corporation was Heska Merger Corporation. A Restated Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on May 28, 1997. A Certificate of Merger whereby Heska Corporation, a California corporation, was merged with and into this corporation and this corporation's name was changed to Heska Corporation was filed with the Secretary of State of the State of Delaware on May 29, 1997. A Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on July 7, 1997.

THIRD: The Restated Certificate of Incorporation of said corporation shall be amended and restated to read in full as follows:

ARTICLE I

The name of this corporation is HESKA CORPORATION.

ARTICLE II

The registered office of the corporation within the State of Delaware is located at 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

ARTICLE IV

A. Authorized Stock. This corporation is authorized to issue two classes of shares, to he designated Common Stock and Preferred Stock, respectively. This corporation is authorized to issue seventy-five million (75,000,000) shares of Common Stock, $.00l par value per share, and twenty-five million (25,000,000) shares of preferred Stock, $.00l par value per share.

B. Preferred Stock. The Preferred Stock may be issued in any number nf series, as determined by the Board of Directors. The Board of Directors may by resolution fix the designation and number of shares of any such series, and may determine, alter, or revoke the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series. The Board of Directors may thereafter in the same manner, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series, increase or decrease the number of shares of any such series (but not below the number of shares of that series then outstanding) . In case the number of shares of any series shall be decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

C. Common Stock.

1. Relative Rights of Preferred Stock and Common Stock. All preferences, voting powers, relative, participating, optional or other special rights and privileges, and qualifications, limitations or restrictions of the Common Stock are expressly made subject end subordinate to those that may be fixed with respect to eny shares of the Preferred Stock.

2. Voting Rights. Except as otherwise required by law or this Restated Certificate of Incorporation, each holder of Common Stock shell have one vote in respect of each share of stock held by such holder of record on the books of the corporation for the election of directors end on all matters submitted to a vote of stockholders of the corporation.

3. Dividends. Subject to the preferential rights of the Preferred Stock, if any, the holders of shares of Common Stock shall be entitled to receive, when end if declared by the Board of Directors, out of the assets of the corporation which are by law available therefor, dividends payable either in cash, in property or in shares of capital stock.

4. Liquidation, Dissolution or Winding Up. In the event of any dissolution, liquidation or winding up of the affairs of the corporation, after distribution in full of the preferential amounts, if any, to be distributed to the holders of shares of the Preferred Stock, holders of Common Stock shell be entitled, unless otherwise provided by law or this Restated Certificate of Incorporation, to receive all of the remaining assets of the corporation of whatever kind available for distribution to stockholders ratably in proportion to the number of shares of Common Stock held by them respectively.

ARTICLE V

The corporation is to have perpetual existence.

ARTICLE VI

A. Classified Board. The Board of Directors shall be divided into three classes, designated Class I, Class II and Class III, as nearly equal in number as possible, and the term of office of directors of one class shall expire at each annual meeting of stockholders, and in all cases as to each director when such director's successor shall be elected and shall qualify or upon such director's earlier resignation, removal from office, death or incapacity. Additional directorships resulting from an increase in number of directors shall be apportioned among the classes as equally as possible. The initial term of office of directors of Class I shall expire at the annual meeting of stockholders in 1998; that of Class II shall expire at the annual meeting in 1999; and that of Class III shall expire at the annual meeting in 2000t and in all cases as to each director when such director's successor shall be elected and shall qualify or upon such director's earlier resignation, removal from office, death or incapacity. At each annual meeting of stockholders, beginning with the annual meeting of stockholders in 1998, the number of directors equal to the number of directors of the class whose term expires at the time of such meeting (or, if less, the number of directors properly nominated and qualified for election) shall be elected to hold office until the third succeeding annual meeting of stockholders after their election.

B. Changes. The Board of Directors of this corporation, by amendment to the corporation's bylaws, is expressly authorized to change the number of directors in any or all of the classes of directors without the consent of the stockholders.

C. Elections. Elections of directors need not be by written ballot unless the Bylaws of the corporation shall so provide.

D. Vote Required to Amend or Repeal. The affirmative vote of the holders of at least sixty-six and two—thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the stock of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend in any respect or repeal this Article VI.

ARTICLE VII

A. Special Meetings of Stockholders. Special meetings of the stockholders of the corporation may be called for any purpose or purposes, unless otherwise prescribed by statute or by this Restated Certificate of Incorporation, only at the request of the Chairman of the Board of Directors, the Chief Executive Officer or President of the corporation or by a resolution duly adopted by the affirmative vote of a majority of the Board of Directors.

ARTICLE VIII

A. Amend or Repeal Bylaws. The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the corporation; provided, however, that any adoption, amendment or repeal of the Bylaws of the corporation by the Board of Directors shall require the approval of at least sixty-six and two-thirds percent (66 2/3%) of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any resolution providing for adoption, amendment or repeal is presented to the Board of Directors) . The stockholders shall also have the power to adopt, amend or repeal the Bylaws of the corporation, provided, however, that in addition **to** any vote of the holders of any class or series of stock of the corporation required by law, the affirmative vote of the holders of more than fifty percent (50%) of the voting power of all of the then outstanding shares of the stock of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required for such adoption, amendment or repeal by the stockholders of any provisions of the Bylaws of the corporation. Notwithstanding the foregoing sentence, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the voting power of all of the then outstanding shares of the stock of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required for the amendment or repeal of Article 3.1 of the Bylaws of the corporation.

ARTICLE IX

The books of the corporation may be kept at such place within or without the State of Delaware as the bylaws of the corporation may provide or as may be designated from time to time by the board of directors of the corporation.

ARTICLE X

Whenever a compromise or arrangement is proposed between the corporation and its creditors or any class of them and/or between the corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the corporation or of any creditor or stockholder thereof or on the application of any receivers appointed for the corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the corporation under the provisions of section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or the stockholders or class of stockholders of the corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority, in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the corporation, as the case may be, and also on the corporation.

ARTICLE XI

A. Limitation on Liability. A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to the corporation and its stockholders; (2) for acts or omissions not in good faith or which involve intentional misconduct or knowing violations of law; (3) under Section 174 of the Delaware General Corporation Law; or (4) for any transaction from which the director derived an improper personal benefit.

If the Delaware General Corporation Law hereafter is amended to further eliminate or limit the liability of directors, then the liability of a director of the corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended Delaware General Corporation Law.

B. Indemnification. The corporation is authorized to indemnify the directors and officers of this corporation to the fullest extent permissible under Delaware law.

C. Insurance. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss Under the Delaware General Corporation Law.

D. Repeal and Modification. Any repeal or modification of the foregoing provisions of this Article XT shall not adversely affect any right or protection of any director, officer, employee or agent of the corporation existing at the time of such repeal or modification.

ARTTCLE XII

The corporation reserves the right to emend or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon a stockholder herein are granted subject to this reservation.

** * * *

Four: This Restated Certificate of Incorporation was duly adopted by the Board of Directors of this corporation.

Five: This Restated Certificate of Incorporation was duly adopted by written consent of the stockholders of the corporation in accordance with Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware end written notice of such action has been given as provided in Section 228.

IN WITNESS THEREOF, Heska Corporation has caused this certificate to be signed by the undersigned officer, thereunto duly authorized, this 24th day of May, 2000.

By: /s/ Ronald L. Hendrick
Name: Ronald L. Hendrick
Title: Executive Vice President and
Chief Financial Officer

CERTIFICATE OF AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION OF HESKA CORPORATION

Heska Corporation, a corporation organized and existing under the laws of the State of Delaware, (the "Corporation"), does hereby certify that:

1. This Amendment to the Corporation's Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

2. This Amendment to the Corporation's Restated Certificate of Incorporation amends Article IV of the Corporation's Restated Certificate of Incorporation, by deleting the existing Article IV in its entirety and substituting therefor a new Article IV to read in its entirety as follows:

ARTICLE IV

A. Authorized Stock. The total authorized stock of the Corporation, which shall be an aggregate of 175,000,000 shares, shall consist of three classes: (i) a class consisting of 75,000,000 shares of existing Common Stock having a par value of $0.001 per share (the "Original Common Stock"); (ii) a second class consisting of 75,000,000 shares of NOL Restricted Common Stock having a par value of $0.001 per share (the "Common Stock", and together with the Original Common Stock, the "Common Stock Securities"); and (iii) a third class consisting of 25,000,000 shares of Preferred Stock having a par value of $0.001 per share (the "Preferred Stock").

B. Preferred Stock. The Preferred Stock may be issued in any number of series, as determined by the Board of Directors. The Board of Directors may by resolution fix the designation and number of shares of any such series, and may determine, alter, or revoke the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series. The Board of Directors may thereafter in the same manner, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series, increase or decrease the number of shares of any such series (but not below the number of shares of that series then outstanding). In case the number of shares of any series shall be decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

C. Common Stock Securities.

1. Relative Rights of Preferred Stock and Common Stock Securities. All preferences, voting powers, relative, participating, optional or other special rights and privileges, and qualifications, limitations or restrictions of the Common Stock Securities are expressly made subject and subordinate to those that may be fixed with respect to any shares of the Preferred Stock.

2. Relative Rights of Original Common Stock and Common Stock. Except as otherwise provided in this Article IV, all shares of Original Common Stock and Common Stock shall be identical and shall entitle the holder thereof to the same preferences, voting powers, relative, participating, optional or other special rights and privileges, and qualifications, limitations or restrictions.

3. Voting Rights. Except as otherwise required by law or this Restated Certificate of Incorporation, the holder or holders of Common Stock Securities shall vote together as one class, and each holder of Common Stock Securities shall have one vote in respect of each share of such stock held by such holder of record on the books of the corporation, for the election of directors and on all matters submitted to a vote of stockholders of the corporation.

4. Dividends. Subject to the preferential rights of the Preferred Stock, if any, the holders of shares of Common Stock Securities shall be entitled to receive, when and if declared by the Board of Directors, out of the assets of the corporation which are by law available therefor, dividends payable either in cash, in property or in shares of capital stock.

5. Liquidation, Dissolution or Winding Up. In the event of any dissolution, liquidation or winding up of the affairs of the corporation, after distribution in full of the preferential amounts, if any, to be distributed to the holders of shares of the Preferred Stock, holders of Common Stock Securities shall be entitled, unless otherwise provided by law or this Restated Certificate of Incorporation, to receive all of the remaining assets of the corporation of whatever kind available for distribution to stockholders ratably in proportion to the number of shares of Common Stock Securities held by them respectively.

6. Subdivisions and Combinations of Shares. The corporation shall not in any manner subdivide (by stock split, stock dividend or otherwise) or combine (by stock split, stock dividend or otherwise) the outstanding Common Stock or Original Common Stock unless all outstanding Common Stock Securities are proportionately subdivided or combined.

7. Automatic Conversion. Each share of NOL Restricted Common Stock shall automatically be converted into the equivalent number of shares of Original Common Stock at the close of business of the Corporation on the Restriction Release Date. Upon the occurrence of such automatic conversion, all shares of NOL Restricted Common Stock shall be converted without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent, and shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate, except only the right to receive shares of Original Common Stock in exchange therefor. Upon the occurrence of such automatic conversion, the holders of NOL Restricted Common Stock shall, upon notice from the Corporation, surrender the certificates representing such shares at the office of the Corporation or of its transfer agent for the Common Stock. Thereupon, there shall be issued and delivered to such holder a certificate or certificates for the number of shares of Original Common Stock into which the shares of NOL Restricted Common Stock so surrendered were automatically converted. The Corporation shall not be obligated to issue such certificates unless certificates evidencing the shares of NOL Restricted Common Stock so converted are either delivered to the Corporation or any such transfer agent, or the holder notifies the Corporation that such certificates have been lost, stolen, or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection therewith. Following such automatic conversion, all shares of NOL Restricted Common Stock so converted shall be retired and cancelled, and the Corporation shall not reissue any shares of NOL Restricted Common Stock. The Corporation shall, at all times prior to automatic conversion of the NOL Restricted Common Stock, cause to be authorized and reserved for issuance a number of shares of Original Common Stock sufficient to permit conversion of the NOL Restricted Common Stock.

D. Reclassification.

Immediately upon the effectiveness of the filing of this Certificate of Amendment to the Corporation's Restated Certificate of Incorporation with the Secretary of State of the State of Delaware (the "Effective Time"), each share of Original Common Stock issued and outstanding immediately prior to the Effective Time shall be reclassified as and converted into and shall become one share of NOL Restricted Common Stock ("Common Stock," pursuant to the "Reclassification").

The Reclassification of the shares of Original Common Stock into shares of Common Stock shall be deemed to occur at the Effective Time, regardless of when any certificate previously representing such shares of Original Common Stock (if such shares are held in certificated form) are physically surrendered to the Corporation in exchange for certificates representing shares of such Common Stock. Each certificate outstanding immediately prior to the Effective Time representing shares of Original Common Stock shall, until surrendered to the Corporation in exchange for a certificate representing such new number of shares of Common Stock, automatically represent from and after the Effective Time the reclassified number of shares of Common Stock. All options and rights issuable or issued with respect to Original Common Stock pursuant to any stock option plan, employee stock purchase plan or other stock plan of the Corporation prior to the Effective Time shall represent options and rights for the equivalent number of shares of Common Stock from and after the Effective Time.

E. Transfer Restrictions.

1. Certain Definitions. As used in this Section E:

"Acquire" or "Acquisition" and similar terms means the acquisition of record, legal, beneficial or any other ownership of Corporation Securities by any means, including, without limitation, (a) the exercise of any rights under any option, warrant, convertible security, pledge or other security interest or similar right to acquire shares, or (b) the entering into of any swap, hedge or other arrangement that results in the acquisition of any of the economic consequences of ownership of Corporation Securities, but shall not include the acquisition of any such rights unless, as a result, the acquirer would be considered an owner of Corporation Securities under the rules of Section 382 of the Code.

"Business Day" means any day, other than a Saturday, Sunday or day on which banks located in Denver, Colorado, are authorized or required by law to close.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Corporation Securities" means (a) shares of Common Stock Securities, (b) shares of Preferred Stock of any class or series of Preferred Stock (other than Preferred Stock that is not "stock" pursuant to Treasury Regulation Sections 1.382-2(a)(3) and 1.382-2T(f)(18)(ii) or any successor provision), (c) warrants, rights or options (within the meaning of Treasury Regulation Section 1.382-4(d), or any successor provision) to purchase Stock and (d) any other interests that would be treated as "stock" of the Corporation pursuant to Treasury Regulation Section 1.382-2T(f)(18), or any successor provision.

"Dispose" or "Disposition" means any direct or indirect sale, transfer, assignment, conveyance, pledge or other disposition or other action in any manner whatsoever, whether voluntary or involuntary, by operation of law or otherwise, by any Person or group that reduces the Percentage Stock Ownership of any Person or group.

"Entity" means an entity within the meaning of Treasury Regulation Section 1.382-3(a)(1).

Five Percent Shareholder" means (i) a Person or group of Persons that is identified as a "5-percent shareholder" of the Corporation pursuant to Treasury Regulation Section 1.382-2T(g)(1) (or any successor provision) or (ii) a Person that is a "first tier entity" or "higher tier entity" of the Corporation if that person has a "public group" or individual, or a "higher tier entity" of that Person has a "public group" or individual, that is treated as a "5-percent shareholder" of the Corporation pursuant to Treasury Regulation Section 1.382-2T(g) or any successor provision (where the terms "first tier entity," "higher tier entity" and "public group" are defined in Treasury Regulation Section 1.382-2T(f) or any successor provision), but excluding any "public group" with respect to the Corporation, as that term is defined in Treasury Regulation Section 1.382-2T(f)(13) (or any successor provision). For the purposes of determining the existence and identity of, and the amount of Corporation Securities owned by, any Five Percent Shareholder, the Corporation is entitled to rely conclusively on (a) the existence and absence of filings of Schedules 13D or 13G under the Securities Exchange Act of 1934, as amended (or any similar schedules) as of any date, and (b) its actual knowledge of the ownership of the Corporation Securities.

"Percentage Stock Ownership" and similar terms means percentage Stock Ownership of any Person or group for purposes of Section 382 of the Code, as determined in accordance with Treasury Regulation Section 1.382-2T(g), (h), (j) and (k) (or any successor provision).

"Person" means an individual, corporation, estate, trust, association, limited liability company, partnership, joint venture or similar organization, and also includes a syndicate or group as those terms are used for the purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

"Prohibited Transfer" means any purported Transfer of Corporation Securities to the extent that such a Transfer is prohibited and/or void under this Article IV.

"Restriction Release Date" means such date, after the Effective Time, that is the earlier of (i) the date that Section 382 of the Code or any successor statute is repealed if the Board of Directors determines in good faith that this Article IV is no longer necessary or advisable for preservation of the Tax Benefits, (ii) the date that the Board of Directors determines in good faith that it is in the best interests of the Corporation and its stockholders for the transfer restrictions set forth in this Article IV to terminate, or (iii) January 1, 2026. Any such determinations by the Board of Directors shall be set forth in a written resolution that is publicly announced or otherwise made available to stockholders.

"Restricted Holder" means a Person or group of Persons that (a) is a Five Percent Shareholder and Acquires or proposes to Acquire Corporation Securities, or (b) is proposing to Acquire Corporation Securities, and following such proposed Acquisition of Corporation Securities, would be a Five Percent Shareholder.

"Stock" means any interest that would be treated as "stock" of the Corporation pursuant to Treasury Regulation Sections 1.382-2(a)(3) and 1.382-2T(f)(18) (or any successor provisions).

"Stock Ownership" means any direct or indirect ownership of Stock, including any ownership by virtue of application of constructive ownership rules, with such direct, indirect and constructive ownership determined under the provisions of Section 382 of the Code.

"Tax Benefits" means the net operating loss carryovers, capital loss carryovers, general business credit carryovers, alternative minimum tax credit carryovers and foreign tax credit carryovers, as well as any loss or deduction attributable to a "net unrealized built-in loss" within the meaning of Section 382 of the Code, of the Corporation or any direct or indirect subsidiary thereof.

"Transfer" means any direct or indirect Acquisition or Disposition of Corporation Securities or other action in any manner whatsoever, whether voluntary or involuntary, by operation of law or otherwise, that alters the Percentage Stock Ownership of any Person or group, or any attempt to do any of the foregoing. A Transfer shall also include the creation or grant of an option (including within the meaning of Treasury Regulation Section 1.382-4(d)). A Transfer shall not include an issuance or grant of Corporation Securities by the Corporation.

"Treasury Regulation" means a Treasury Regulation promulgated under the Code.

2. Transfer Restrictions.

(a) From and after the Effective Time and prior to the Restriction Release Date, no Transfer shall be permitted, and any such purported Transfer shall be void *ab initio*, to the extent that after giving effect to such purported Transfer (or any series of Transfers of which such Transfer is a part), either (i) any Person or group of Persons shall become a Five Percent Shareholder, or (ii) the Percentage Stock Ownership interest in the Corporation of any Five Percent Shareholder shall be increased. The prior sentence is not intended to prevent the Corporation Securities from being DTC-eligible and shall not preclude the settlement of any transactions in the Corporation Securities entered into through the facilities of a national securities exchange or any national securities quotation system, provided, that if the settlement of the transaction would result in a Prohibited Transfer, such Transfer shall nonetheless be a Prohibited Transfer.

(b) The restrictions contained in this Article IV are for the purposes of reducing the risk that any "ownership change" of the Corporation Securities (as defined in the Code) may limit the Corporation's ability to utilize its Tax Benefits. In connection therewith, and to provide for effective policing of these provisions, a Restricted Holder who proposes to Acquire Corporation Securities shall, prior to the date of the proposed Acquisition, request in writing (a "Request") that the Board of Directors of the Corporation (or a committee thereof that has been appointed by the Board of Directors) review the proposed Acquisition and authorize or not authorize the proposed Acquisition in accordance with this Section E.2(b) of Article IV. A Request shall be mailed or delivered to the Secretary of the Corporation at the Corporation's principal place of business, or telecopied to the Corporation's telecopier number at its principal place of business. Such Request shall be deemed to have been received by the Corporation when actually received by the Secretary of the Corporation. A Request shall include (i) the name, address and telephone number of the Restricted Holder, (ii) a description of the Restricted Holder's direct and indirect ownership of Corporation Securities, (iii) a description of the Corporation Securities that the Restricted Holder proposes to Acquire, (iv) the date on which the proposed Acquisition is expected to take place (or, if the Acquisition is proposed to be made by a Five Percent Shareholder in a transaction on a national securities exchange or any national securities quotation system, a statement to that effect), (v) the name of the proposed transferor of the Corporation Securities that the Restricted Holder proposes to Acquire (or, if the Acquisition is proposed to be made by a Five Percent Shareholder in a transaction on a national securities exchange or any national securities quotation system, a statement to that effect), and (vi) a request that the Board of Directors (or a committee thereof that has been appointed by the Board of Directors) authorize, if appropriate, the Acquisition pursuant to this Section E.2(b) of Article IV.

(c) The Board of Directors may authorize an Acquisition by a Restricted Holder, or otherwise determine to waive the application of any restrictions contained in this Article IV, if it determines, in its sole discretion, that, after taking into account the preservation of the Tax Benefits, such Acquisition or waiver would be in the best interests of the Corporation and its stockholders and in such cases, the restrictions set forth in Section E.2(a) of this Article IV shall not apply, notwithstanding the effect of any such

authorization or waiver on the Tax Benefits. Any proposed Acquisition by a Restricted Holder that is not so authorized by the Board of Directors or subject to such a waiver shall be deemed a Prohibited Transfer. The Board of Directors may, in its sole discretion, impose any conditions that it deems reasonable and appropriate in connection with authorizing any such Acquisition by a Restricted Holder or granting such a waiver. In addition, the Board of Directors may, in its sole discretion, require such representations from the Restricted Holder or such opinions of counsel to be rendered by counsel selected by the Board of Directors, in each case as to such matters as the Board of Directors may determine. Any Restricted Holder who makes a Request to the Board of Directors shall reimburse the Corporation, on demand, for all costs and expenses incurred by the Corporation with respect to any proposed Acquisition of Corporation Securities subject to such Request, whether or not such Request is granted, including, without limitation, the Corporation's costs and expenses incurred in determining whether to authorize the proposed Acquisition, which costs may include, but are not limited to, any expenses of counsel and/or tax advisors engaged by the Board of Directors to advise the Board of Directors or deliver an opinion thereto.

3. Treatment of Excess Securities.

(a) No employee or agent of the Corporation shall record any Prohibited Transfer, and the purported transferee of a Prohibited Transfer (the "Purported Transferee") shall not be recognized as a stockholder of the Corporation for any purpose whatsoever in respect of the Corporation Securities which are the subject of the Prohibited Transfer (the "Excess Securities"). The Purported Transferee shall not be entitled with respect to such Excess Securities to any rights of stockholders of the Corporation, including, without limitation, the right to vote such Excess Securities and to receive dividends or distributions, whether liquidating or otherwise, in respect thereof. Once the Excess Securities have been acquired in a Transfer that is not a Prohibited Transfer, such Corporation Securities shall cease to be Excess Securities.

(b) If the Board of Directors determines that a Prohibited Transfer has been recorded by an agent or employee of the Corporation notwithstanding the prohibition in Section E.3(a) of this Article IV, such recording and the Prohibited Transfer shall be void *ab initio* and have no legal effect and, upon written demand by the Corporation, the Purported Transferee shall transfer or cause to be transferred any certificate or other evidence of ownership of the Excess Securities within the Purported Transferee's possession or control, together with any dividends or other distributions that were received by the Purported Transferee from the Corporation with respect to the Excess Securities (the "Prohibited Distributions"), to an agent designated by the Board of Directors (the "Agent"). In the event of an attempted Prohibited Transfer involving the purchase or Acquisition of Corporation Securities in violation of this Article 4 by a Restricted Holder, the Agent shall thereupon sell to a buyer or buyers, which may include the Corporation or the purported transferor, the Excess Securities transferred to it in one or more arm's-length transactions (including over a national securities exchange or national securities quotation system on which the Corporation Securities may be traded); provided, however, that the Agent, in its sole discretion, shall effect such sale or sales in an orderly fashion and shall not be required to effect any such sale within any specific time frame if, in the Agent's discretion, such sale or sales would disrupt the market for the Corporation Securities, would adversely affect the value of the Corporation Securities or would be in violation of applicable securities laws. If the Purported Transferee has resold the Excess Securities before receiving the Corporation's demand to surrender the Excess Securities to the Agent, the Purported Transferee shall be deemed to have sold the Excess Securities for the Agent, shall be deemed to hold in trust for the Agent, and shall be required to transfer to the Agent, any Prohibited Distributions and proceeds of such sale, except to the extent that the Corporation grants written permission to the Purported Transferee to retain a portion of such sales proceeds not exceeding the amount that the Purported Transferee would have received from the Agent pursuant to Section E.3(c) of this Article IV if the Agent, rather than the Purported Transferee, had resold the Excess Securities.

(c) The Agent shall apply any proceeds of a sale by it of Excess Securities and, if the Purported Transferee had previously resold the Excess Securities, any amounts received by it from a Purported Transferee, together with any Prohibited Distributions received by it, as follows: (i) first, to reimburse itself to the extent necessary to cover its costs and expenses incurred in accordance with its duties hereunder; (ii) second, to reimburse the Purported Transferee for the amounts paid by the Purported Transferee for the Excess Securities (or in the case of any Prohibited Transfer by gift, devise or inheritance or any other Prohibited Transfer without consideration, the fair market value, calculated on the basis of the closing market price for the Corporation Securities on the day before the Prohibited Transfer), and (iii) third, the remainder, if any, to the original transferor, or, if the original transferor cannot be readily identified, to the Company to the extent of any amounts owing to the Company pursuant to Section E.3(f) below, with the remainder, if any, to be donated to an entity designated by the Corporation's Board of Directors that is described in Section 501(c) of the Code, contributions to which must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code. The recourse of any Purported Transferee with respect of any Prohibited Transfer shall be limited to the amount payable to the Purported Transferee pursuant to clause (ii) of this Section E.3(c) of this Article IV. Except as may be required by law, in no event shall the proceeds of any sale of Excess Securities pursuant to this Article IV inure to the benefit of the Corporation or the Agent, except to the extent used to cover costs and expenses incurred by the Agent in performing its duties hereunder.

(d) In the event of any Transfer which does not involve a transfer of securities of the Corporation within the meaning of Delaware law ("Securities," and individually, a "Security") but which would cause a Five Percent Shareholder to violate a restriction on Transfers provided for in this Article IV, the application of Section E.3(b) and Section E.3(c) shall be modified as described in this Section E.3(d). In such case, no such Five Percent Shareholder shall be required to dispose of any interest that is not a Security, but such Five Percent Shareholder and/or any Person whose ownership of Securities is attributed to such Five Percent Shareholder shall be deemed to have disposed of and shall be required to dispose of sufficient Securities (which Securities shall be disposed of in the inverse order in which they were acquired) to cause such Five Percent Shareholder, following such disposition, not to be in violation of this Article IV. Such disposition shall be deemed to occur simultaneously with the Transfer giving rise to the application of this provision, and such number of Securities that are deemed to be disposed of shall be considered Excess Securities and shall be disposed of through the Agent as provided in Section E.3(b) and Section E.3(c), except that the maximum aggregate amount payable either to such Five Percent Shareholder, or to such other Person that was the record owner of such Excess Securities, in connection with such sale shall be the fair market value of such Excess Securities at the time of the purported Transfer. All expenses incurred by the Agent in disposing of such Excess Stock shall be paid out of any amounts due such Five Percent Shareholder or such other Person. The purpose of this Section E.3(d) is to extend the restrictions in Section E.2(a) and Section E.3(a) to situations in which there is a Five Percent Shareholder without a direct Transfer of Securities, and this Section E.3(d), along with the other provisions of this Article IV, shall be interpreted to produce the same results, with differences as the context requires, as a direct Transfer of Corporation Securities.

(e) If the Purported Transferee fails to surrender to the Agent the Excess Securities or the proceeds of a sale thereof, or any Prohibited Distributions received by it, or to otherwise comply with Section E.3 of this Article IV, within thirty (30) days from the date on which the Corporation makes a demand pursuant to Section E.(3)(b) of this Article IV, or any written demand with respect to a deemed disposition pursuant to Section E.3(d) of this Article IV, then the Corporation may take such actions as it deems necessary or advisable to enforce the provisions hereof, and/or enjoin or rescind any violation hereof, including the institution of legal or equitable proceedings to compel such surrender.

(f) If any Person shall knowingly violate, or knowingly cause any other Person under control of such Person (a "Controlled Person") to violate this Article IV, then that Person and any such Controlled Person shall be jointly and severally liable for, and shall pay to the Corporation, such amount as will, after taking account of all taxes imposed with respect to the receipt or accrual of such amount and all costs incurred by the Corporation as a result of such violation, put the Corporation in the same financial position as it would have been in had such violation not occurred.

4. Amendment of Transfer Restrictions. Notwithstanding the provisions of Article XII of the Corporation's Restated Certificate of Incorporation, the Corporation may only amend or repeal any of the provisions set forth in this Section E. by the affirmative vote of the holders of two-thirds of the shares entitled to vote thereon.

5. Legends; Compliance

(a) All certificates reflecting Corporation Securities on or after the Effective Time shall, until the Restriction Release Date, bear a conspicuous legend in substantially the following form:

THE RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED (THE "CERTIFICATE OF INCORPORATION"), OF THE CORPORATION CONTAINS RESTRICTIONS PROHIBITING THE TRANSFER (AS DEFINED IN THE CERTIFICATE OF INCORPORATION) OF STOCK OF THE CORPORATION (INCLUDING THE CREATION OR GRANT OF CERTAIN OPTIONS, RIGHTS AND WARRANTS) WITHOUT THE PRIOR AUTHORIZATION OF THE BOARD OF DIRECTORS OF THE CORPORATION (THE "BOARD OF DIRECTORS") IF SUCH TRANSFER AFFECTS THE PERCENTAGE OF STOCK OF THE CORPORATION (WITHIN THE MEANING OF SECTION 382 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") AND THE TREASURY REGULATIONS PROMULGATED THEREUNDER) THAT IS TREATED AS OWNED BY A FIVE PERCENT SHAREHOLDER UNDER THE CODE AND SUCH REGULATIONS. IF THE TRANSFER RESTRICTIONS ARE VIOLATED, THEN THE TRANSFER WILL BE VOID *AB INITIO* AND THE PURPORTED TRANSFEREE OF THE STOCK WILL BE REQUIRED TO TRANSFER EXCESS SECURITIES (AS DEFINED IN THE CERTIFICATE OF INCORPORATION) TO THE CORPORATION'S AGENT. IN THE EVENT OF A TRANSFER WHICH DOES NOT INVOLVE SECURITIES OF THE CORPORATION WITHIN THE MEANING OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE ("SECURITIES") BUT WHICH WOULD VIOLATE THE TRANSFER RESTRICTIONS, THE PURPORTED TRANSFEREE (OR THE RECORD OWNER) OF THE SECURITIES WILL BE REQUIRED TO TRANSFER SUFFICIENT SECURITIES PURSUANT TO THE TERMS PROVIDED FOR IN THE CORPORATION'S CERTIFICATE OF INCORPORATION TO CAUSE THE FIVE PERCENT STOCKHOLDER TO NO LONGER BE IN VIOLATION OF THE TRANSFER RESTRICTIONS. THE CORPORATION WILL FURNISH WITHOUT CHARGE TO ANY PROPERLY INTERESTED PERSON A COPY OF THE CERTIFICATE OF INCORPORATION, CONTAINING THE ABOVE-REFERENCED TRANSFER RESTRICTIONS, UPON WRITTEN REQUEST TO THE CORPORATION AT ITS PRINCIPAL PLACE OF BUSINESS."

The Board of Directors may also require that any certificates issued by the Corporation evidencing ownership of shares of Stock that are subject to conditions imposed by the Board of Directors under Section E.2(b) of this Article IV also bear a conspicuous legend referencing the applicable restrictions.

(b) The Corporation shall have the power to make appropriate notations upon its stock transfer records and to instruct any transfer agent, registrar, securities intermediary or depository with respect to the requirements of this Article IV for any uncertificated Corporation Securities or Corporation Securities held in an indirect holding system. At the request of the Corporation, or as a condition to the registration of the Transfer of any Stock, any Person who is a beneficial, legal or record holder of Stock, and any proposed transferee of such Stock and any Person controlling, controlled by or under common control with the proposed transferee of such Stock, shall provide such information as the Corporation may request from time to time in order to determine compliance with this Article IV or the status of the Tax Benefits of the Corporation.

(c) Nothing contained in this Article IV shall limit the authority of the Board of Directors of the Corporation to take such other action to the extent permitted by law as it deems necessary or advisable to preserve the Corporation's Tax Benefits. The Board of Directors of the Corporation shall have the power to determine all matters necessary for determining compliance with this Article IV, including, without limitation, determining (i) the identification of Five Percent Shareholders and Restricted Holders, (ii) whether a Transfer or proposed Transfer is a Prohibited Transfer, (iii) the Percentage Stock Ownership in the Corporation of any Five Percent Shareholders and Restricted Holders, (iv) whether an instrument or right constitutes a Corporation Security, (v) the amount (or fair market value) due to a Purported Transferee, (vi) the interpretation of the provisions of this Article IV, and (vii) any other matters which the Board of Directors deems relevant. In addition, the Board of Directors may, to the extent permitted by law, from time to time establish, modify, amend or rescind Bylaws, regulations and procedures of the Corporation not inconsistent with the express provisions of this Article IV for purposes of determining whether any Transfer of Stock would jeopardize the Corporation's ability to preserve or use the Tax Benefits, or for the orderly application, administration and implementation of the provisions of this Article IV. In the case of an ambiguity in the application of any of the provisions of this Article IV, including any definition used herein, the Board of Directors shall have the power to determine the application of such provisions with respect to any situation based on its reasonable belief, understanding or knowledge of the circumstances. In the event that this Article IV requires an action by the Board of Directors but fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of this Article IV. All actions, calculations, interpretations and determinations that are done or made by the Board of Directors in good faith pursuant to this Article IV shall be final, conclusive and binding on the Corporation, the Agent, and all other parties to a Transfer; provided, however, that the Board of Directors may delegate all or any portion of its duties and powers under this Article IV to a committee of the Board of Directors as it deems advisable or necessary. All references in this Article IV to the Code and the regulations promulgated thereunder shall be deemed to include any successor provision.

(d) To the fullest extent permitted by law, the Corporation and the members of the Board of Directors shall be fully protected in relying in good faith upon the information, opinions, reports or statements of the chief executive officer, the chief financial officer or the chief accounting officer of the Corporation or of the Corporation's legal counsel, independent auditors, transfer agent, investment bankers or other employees and agents in making the determinations and findings contemplated by this Article IV, and the members of the Board of Directors shall not be responsible for any good faith errors made in connection therewith.

(e) Nothing contained in this Article IV shall be construed to give any Person other than the Corporation or the Agent any legal or equitable right, remedy or claim under this Article IV. This Article IV shall be for the sole and exclusive benefit of the Corporation and the Agent.

(f) With regard to any power, restriction, remedy or right provided herein or otherwise available to the Corporation or the Agent provided under this Article IV, (i) no waiver will be effective unless expressly contained in writing signed by the waiving party; and (ii) no waiver alteration, modification or impairment will be implied by reason of any previous waiver, extension of time, delay or omission in exercise, or other indulgence.

(g) If any provision of this Article IV or the application of any such provision to any Person or under any circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Article IV.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Certificate of Amendment to the Corporation's Restated Certificate of Incorporation has been executed by a duly authorized officer of the corporation on this the 4th day of May 2010.

Heska Corporation

By: /s/ Jason Napolitano
Name: Jason Napolitano
Title: Executive Vice President, CFO and Secretary

Exhibit 3(iii)

CERTIFICATE OF AMENDMENT
TO THE
RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED,
OF
HESKA CORPORATION

Heska Corporation (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "DGCL"), does hereby certify:

1. This Certificate of Amendment to the Corporation's Restated Certificate of Incorporation, as amended (the "Certificate"), has been duly adopted in accordance with the provisions of Section 242 of the DGCL.

2. This Certificate of Amendment to the Certificate amends Article IV of the Certificate by deleting the existing Paragraph A of Article IV in its entirety and substituting therefore a new Paragraph A of Article IV, to read in its entirety as follows:

A. **Authorized Stock**. The total authorized stock of the Corporation, which shall be an aggregate of 17,500,000 shares, shall consist of three classes: (i) a first class consisting of 7,500,000 shares of Common Stock having a par value of $0.01 per share (the "Original Common Stock"); (ii) a second class consisting of 7,500,000 shares of Public Common Stock having a par value of $0.01 per share (the "Common Stock" or "NOL Restricted Common Stock" and, together with the Original Common Stock, the "Common Stock Securities"); and (iii) a third class consisting of 2,500,000 shares of Preferred Stock having a par value of $0.01 per share (the "Preferred Stock").

Effective as of 12:01 a.m., Eastern Time, on December 30, 2010 (the "Effective Time"), (i) each ten shares of Original Common Stock, issued and outstanding or held by the Corporation as treasury stock, if any, shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into one share of Original Common Stock, and (ii) each ten shares of Common Stock, issued and outstanding or held by the Corporation as treasury stock, if any, shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into one share of Common Stock. No fractional shares shall be issued and, in lieu thereof, the holder shall receive a cash payment equal to the fair value, as determined by the Board of Directors, of such fractional shares as of the Effective Time.

3. This Certificate of Amendment shall become effective as of 12:01 a.m., Eastern Time, on December 30, 2010.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by a duly authorized officer on this 29th day of December, 2010.

Heska Corporation

By: /s/ Jason A. Napolitano
Name: Jason A. Napolitano
Title: Executive Vice President and Chief Financial Officer

Exhibit 3 (v)

EXECUTION VERSION

AMENDED AND RESTATED OPERATING AGREEMENT

OF

HESKA IMAGING US, LLC

a Delaware Limited Liability Company

THE UNITS OF LIMITED LIABILITY COMPANY INTEREST REPRESENTED BY THIS OPERATING AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS. SUCH UNITS MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF AT ANY TIME WITHOUT EFFECTIVE REGISTRATION UNDER SUCH ACT AND LAWS (OR EXEMPTION THEREFROM) AND COMPLIANCE WITH THE OTHER RESTRICTIONS ON TRANSFERABILITY SET FORTH HEREIN. THE UNITS REPRESENTED BY THIS OPERATING AGREEMENT ARE SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER SET FORTH HEREIN.

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HESKA IMAGING US, LLC

AMENDED AND RESTATED OPERATING AGREEMENT

THIS AMENDED AND RESTATED OPERATING AGREEMENT (this "Agreement") of HESKA IMAGING US, LLC, a Delaware limited liability company (the "Company"), dated as of February 22, 2013 (the "Agreement Date"), is by and among Heska Corporation, a Delaware corporation ("Heska"), Cuattro, LLC, a Colorado limited liability company ("Cuattro"), Kevin S. Wilson (the "Founder"), Shawna M. Wilson, Rod Lippincott, Steve Asakowicz and Clint Roth, DVM (collectively, with Cuattro and the Founder, the "Continuing Members"), and any other person who becomes a Member of the Company from time to time in accordance with this Agreement.

WHEREAS, on April 4, 2011, the Company was formed as Cuattro Veterinary USA, LLC, a limited liability company under the Act by the filing of a Certificate of Formation in the office of the Secretary of State of the State of Delaware (such Certificate of Formation, as amended from time to time in accordance with the Act, the "Certificate");

WHEREAS, on April 14, 2011, the members of the Company adopted a limited liability company agreement with respect to the Company (the "Prior Agreement");

WHEREAS, simultaneously with the execution and delivery of this Agreement, the Company, Heska, and the Continuing Members are entering into a Unit Purchase Agreement (the "Purchase Agreement") providing, among other things, for (i) the purchase of Units from the Company by Heska (the "Heska Purchased Units"), (ii) the redemption of certain Units of the Company (the "Redeemed Units") held by certain members of the Company (the "Redeemed Members"), and (iii) execution and delivery of this Agreement among the Company, Heska and the Continuing Members of the Company;

WHEREAS, (i) the Company, Heska, and the Continuing Members agree that the contribution to the Company by Heska, pursuant to the Purchase Agreement, of cash and shares of Heska Common Stock having an aggregate value of $7.644 million followed by the redemption by the Company of the Redeemed Units held by the Redeemed Members for cash and shares of Heska Common Stock having an aggregate value as set forth in the Purchase Agreement (the "Redemption Price") shall be treated for U.S. federal income tax purposes as a purchase by Heska of the Redeemed Units from the Redeemed Members for the Redemption Price; (ii) the Heska Purchased Units issued to Heska shall be treated for such purposes as Units newly issued to Heska by the Company in exchange for a contribution as set forth in the Purchase Agreement; and (iii) the parties shall report for all federal income tax purposes in accordance with clause (i) and clause (ii);

WHEREAS, the Members desire that the Company take all such actions as required to effect the renaming of the Company to Heska Imaging US, LLC;

WHEREAS, the Members desire to admit Heska to the Company as an additional Member and, in connection with the same, to set forth the governance and economic arrangements relating to the Company;

WHEREAS, the Members desire to enter into this Agreement to supersede the Prior Agreement and set out fully their respective rights, obligations and duties with respect to the Company and its business, management and operations.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Members hereby consent to the admission of Heska, and the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

The following capitalized terms used in this Agreement shall have the respective meanings ascribed to them below:

"2015 Valuation" means (i) $37.50 million if a Performance Condition B exists for the fiscal year ended December 31, 2015; or (ii) if clause (i) is not applicable, the lesser of (A) $30.00 million or (B) Operating Income for the fiscal year ended December 31, 2015, multiplied by 9.00.

"2016 Valuation" means (i) $56.25 million if a Performance Condition C exists for the fiscal year ended December 31, 2016, a Performance Condition B existed for the fiscal year ended December 31, 2015, and a Performance Condition A existed for the for the fiscal year ended December 31, 2014; (ii) if clause (i) is not applicable, $37.50 million, if a Performance Condition B exists for the fiscal year ended December 31, 2016; or (iii) if neither clause (i) nor clause (ii) are applicable, the lesser of (A) $30.00 million or (B) Operating Income for the fiscal year ended December 31, 2016, multiplied by 9.00.

"2017 Valuation" means (i) $81.25 million if a Performance Condition D exists for the fiscal year ended December 31, 2017, a Performance Condition C existed for the fiscal year ended December 31, 2016, and a Performance Condition B existed for the fiscal year ended December 31, 2015; (ii) if clause (i) is not applicable, $56.25 million, if a Performance Condition C exists for the fiscal year ended December 31, 2017, a Performance Condition C existed for the fiscal year ended December 31, 2016, a Performance Condition B existed for the fiscal year ended December 31, 2015, and a Performance Condition A existed for the for the fiscal year ended December 31, 2014; (iii) if neither clause (i) nor clause (ii) are applicable, $37.50 million, if a Performance Condition B exists for the fiscal year ended December 31, 2017; or (iv) if neither clause (i), clause (ii) nor clause (iii) are applicable, the lesser of (A) $30.00 million or (B) Operating Income for the fiscal year ended December 31, 2017, multiplied by 9.00.

"Act" means the Delaware Limited Liability Company Act, in effect at the time of the filing of the Certificate with the Office of the Secretary of State of the State of Delaware, and as thereafter amended from time to time.

"Adjusted Capital Account" means, for each Member, such Member's Capital Account balance increased by such Member's share of "minimum gain" and of "partner nonrecourse debt minimum gain" (as determined pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), respectively).

"Agreement" has the meaning set forth in the Preamble.

"Agreement Date" has the meaning set forth in the Preamble.

"Affiliate" means, with respect to any specified Person, (i) any Person that directly or indirectly controls, is controlled by, or is under common control with such Person, or (ii) any Person that is a member of the Immediate Family of the specified Person. For the purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. The parties acknowledge that "affiliate" may have a different meaning under various foreign, federal, state or local privacy regulations.

"Ancillary Documents" means (i) the Lock-Up Agreements and (ii) each of even date herewith, (a) the Purchase Agreement, (b) the Releases, (c) that certain Employment Agreement between the Founder and Heska, (d) that certain Employment Agreement between Rod Lippincott and the Company, and (e) that certain Employment Agreement between Steve Asakowicz and the Company.

"Audit Report" means the audited annual financial statements of the Company, which shall include (A) a statement of cash flows, statement of operations, and balance sheet, each prepared in accordance with GAAP (except as set forth in the notes thereto), and (B) the report of the independent registered public accounting firm that prepared the audited annual financial statements; provided, however, that the financial statements of the Company for the fiscal year ended December 31, 2012 shall not be audited, but shall be reviewed by an accountant or accounting firm acceptable to Heska in its reasonable discretion.

"Audited Company Financial Statements" means the financial statements contemplated by Section 8.02(a).

"Available Cash" has the meaning set forth in Section 7.08(c)(ii).

"Board" means the governing body of the Company designated as such and described in Article VII.

"Business Day" means any weekday that is not a day on which banking institutions in The City of New York are authorized or obligated to close.

"Capital Account" means a separate account maintained for each Member and adjusted in accordance with Treasury Regulations under Section 704 of the Code. To the extent consistent with such Treasury Regulations, the adjustments to such accounts shall include the following:

(i) There shall be credited to each Member's Capital Account the amount of any cash (which shall not include imputed or actual interest on any deferred contributions) actually contributed by such Member to the capital of the Company, the fair market value (without regard to Code Section 7701(g)) of any property or other contributions contributed by such Member to the capital of the Company, the amount of liabilities of the Company assumed by the Member or to which property distributed to the Member was subject and such Member's share of the Net Profits of the Company and of any items in the nature of income or gain separately allocated to the Members; and there shall be charged against each Member's Capital Account the amount of all cash distributions to such Member, the fair market value (without regard to Code Section 7701(g)) of any property distributed to such Member by the Company, the amount of liabilities of the Member assumed by the Company or to which property contributed by the Member to the Company was subject and such Member's share of the Net Losses of the Company and of any items in the nature of losses or deductions separately allocated to the Members.

(ii) In the event any interest in the Company is Transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the Transferred interest.

"Carrying Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes; provided, however, that (i) the initial Carrying Value of any asset contributed to the Company shall be adjusted to equal its gross fair market value at the time of its contribution and (ii) if elected by the Company, the Carrying Values of all assets held by the Company shall be adjusted to equal their respective gross fair market values (taking Code Section 7701(g) into account) at any time specified in Treasury Regulation Section 1.704-1(b)(2)(iv)(*f*). The Carrying Value of any asset whose Carrying Value was adjusted pursuant to the preceding sentence thereafter shall be adjusted in accordance with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(g). The Carrying Value of the assets of the Company were adjusted immediately prior to the admission of Heska to the Company on the Agreement Date.

"Cash on Hand" means, as of any date of determination, the cash and cash equivalents of the Company as of such date as reported in accordance with GAAP.

"Change in Control Agreement" has the meaning set forth in Section 9.05(h).

"Certificate" has the meaning set forth in the Preamble.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company" has the meaning set forth in the Preamble.

"Company Auditor" means the firm of certified public accountants engaged by the Company with the approval of Heska as required by Section 7.02.

"Continuing Member" has the meaning set forth in the Preamble.

"Continuing Member Percentage" means the percentage of the number of Units held by a Continuing Member to the total number of Units held by all Continuing Members.

"Cuattro" has the meaning set forth in the Preamble.

"Cuattro 12-Month Call Notice" has the meaning set forth in Section 9.05(b)(i).

"Cuattro 12-Month Call Option" has the meaning set forth in Section 9.05(b).

"Cuattro 12-Month Call Period" has the meaning set forth in Section 9.05(b).

"Cuattro 12-Month Call Unit Price" has the meaning set forth in Section 9.05(b)(ii).

"Cuattro 12-Month Call Units" has the meaning set forth in Section 9.05(b)(i).

"Cuattro 18-Month Call Notice" has the meaning set forth in Section 9.05(c)(i).

"Cuattro 18-Month Call Option" has the meaning set forth in Section 9.05(c).

"Cuattro 18-Month Call Period" has the meaning set forth in Section 9.05(c).

"Cuattro 18-Month Call Unit Price" has the meaning set forth in Section 9.05(c)(ii).

"Cuattro 18-Month Call Units" has the meaning set forth in Section 9.05(c)(i).

"Cuattro Control Put Notice" has the meaning set forth in Section 9.05(h)(i).

"Cuattro Control Put Option" has the meaning set forth in Section 9.05(h).

"Cuattro Control Put Period" has the meaning set forth in Section 9.05(h).

"Cuattro Control Put Valuation " means, as of any date of determination (i) $93.4375 million through the end of the fiscal year ended December 31, 2015; (ii) if clause (i) is not applicable, $93.4375 million through the end of the fiscal year ended December 31, 2016 if a Performance Condition B existed for the fiscal year ended December 31, 2015; (iii) if neither clause (i) nor clause (ii) are applicable, $93.4375 million through the end of the fiscal year ended December 31, 2017 if a Performance Condition C existed for the fiscal year ended December 31, 2016 and a Performance Condition B existed for the fiscal year ended December 31, 2015; or (iv) if neither clause (i), clause (ii) nor clause (iii) are applicable, $43.125 million.

"Cuattro Control Put Price" means the Cuattro Control Put Valuation; provided, that if prior to the date of any Heska Control Put Notice the Company shall have failed to meet any of the following Operating Revenue and Operating Income thresholds in any two (2) consecutive periods, as provided in the applicable Audit Reports, then the aggregate Cuattro Control Put Price shall be an amount equal to the lesser of (i) $30.00 million or (ii) Operating Income for the fiscal year ended immediately prior to the date of such Heska Control Put Notice, multiplied by 9.00.

Period	Operating Revenue Threshold	Operating Income Threshold
January 1, 2013 to December 31, 2013	$11.25 million	$637,500
January 1, 2013 to December 31, 2014	$26.25 million	$1.375 million
January 1, 2014 to December 31, 2015	$33.75 million	$2.00 million
January 1, 2016 to December 31, 2016	$22.50 million	$1.31 million

"Cuattro Control Put Units" has the meaning set forth in Section 9.05(h).

"Cuattro Performance Put Notice" has the meaning set forth in Section 9.05(f)(i).

"Cuattro Performance Put Option" has the meaning set forth in Section 9.05(f).

"Cuattro Performance Put Period" has the meaning set forth in Section 9.05(f).

"Cuattro Performance Put Price" has the meaning set forth in Section 9.05(f)(ii).

"Cuattro Performance Put Units" has the meaning set forth in Section 9.05(f)(i).

"Cuattro Purchase Right" has the meaning set forth in Section 9.10.

"Cuattro Purchase Right Notice" has the meaning set forth in Section 9.10.

"Cuattro Purchase Right Period" has the meaning set forth in Section 9.10.

"Cuattro Purchase Right Price" has the meaning set forth in Section 9.10.

"Cumulative Net Earnings After Tax" means the excess, if any, of the cumulative net taxable income or gain of the Company from the date of its formation through the date of calculation, less the product of (i) the net taxable income or gain of the Company from the date of its formation through the date of calculation, and (ii) the highest combined marginal rate of federal and state income tax (taking into account the deduction of state taxes against federal taxable income) applicable to individuals subject to taxation in the highest tax rate state in which the Company has income tax nexus for the year that includes the date of calculation.

"DGCL" means the Delaware General Corporation Law, 8 Del. Code §101 et seq.

"Disclosing Party" has the meaning set forth in Section 8.06(a).

"Disputable Amounts" has the meaning set forth in Section 9.05(i).

"DLL Agreement" means that certain Master Contract Financing Program Agreement dated as of November 18, 2011, between the Company, Cuattro Veterinary, LLC, a Delaware limited liability company, and De Lage Landen Financial Services, Inc., a Michigan corporation, as amended.

"Exercising Party" has the meaning set forth in Section 9.05(i)(i).

"Founder" has the meaning set forth in the Preamble.

"Founder Manager" means a Manager specified as such in Section 7.04(a) or subsequently designated as such by the Founders in accordance with Section 7.04(f).

"GAAP" means United States generally accepted accounting principles consistently applied.

"Heska" has the meaning set forth in the Preamble.

"Heska 12-Month Put Notice" has the meaning set forth in Section 9.05(d)(i).

"Heska 12-Month Put Option" has the meaning set forth in Section 9.05(d).

"Heska 12-Month Put Period" has the meaning set forth in Section 9.05(d).

"Heska 12-Month Put Unit Price" has the meaning set forth in Section 9.05(d)(ii).

"Heska 12-Month Put Units" has the meaning set forth in Section 9.05(d)(i).

"Heska 18-Month Put Notice" has the meaning set forth in Section 9.05(e)(i).

"Heska 18-Month Put Option" has the meaning set forth in Section 9.05(e).

"Heska 18-Month Put Period" has the meaning set forth in Section 9.05(e).

"Heska 18-Month Put Unit Price" has the meaning set forth in Section 9.05(e)(ii).

"Heska 18-Month Put Units" has the meaning set forth in Section 9.05(e)(i).

"Heska Change in Control" means the consummation, on or before December 31, 2017, of any share exchange, consolidation or merger of Heska pursuant to which the Heska Common Stock will be converted into cash, securities or other property or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of Heska and its subsidiaries, taken as a whole, to any person other than Heska or one of its subsidiaries; provided, however, that a transaction (x) that does not result in a reclassification, conversion, exchange or cancellation of the outstanding Heska Common Stock (provided, however, that this subclause (x) shall not apply to any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of Heska and its subsidiaries, taken as a whole, to any person other than one of Heska's subsidiaries), or (y) that is effected solely to change Heska's jurisdiction of incorporation and results in a reclassification, conversion or exchange of outstanding shares of Heska Common Stock solely into shares of common stock of the surviving entity or (z) pursuant to which the holders of all classes of the Heska's common equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of voting equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such event shall, in each case, not be deemed a Heska Change in Control.

"Heska Common Stock" means shares of common stock, $0.01 par value per share, of Heska.

"Heska Common Stock Conditions" means the following conditions with respect to any Heska Common Stock payable pursuant to each of the Cuattro 12-Month Call Option, the Cuattro 18-Month Call Option, the Heska 12-Month Put Option and the Heska 18-Month Put Option, respectively: (A) such shares of Heska Common Stock shall be shares that are owned and have been held since the date hereof by any of the Continuing Members; and (B) the value of each share of Heska Common Stock, for the purposes of allocating the portion of the Cuattro 12-Month Call Unit Price, the Cuattro 18-Month Call Unit Price, the Heska 12-Month Put Unit Price and the Heska 18-Month Put Unit Price, respectively, payable in stock, shall be the average of the NASDAQ Official Close Price of Heska Common Stock during the 10 Trading-Day period ending on the date immediately prior to the date of such applicable notice, respectively; provided, however, that such value shall be not less than $5.00 per share (subject to good faith adjustment by the board of directors of Heska to ratably account for any stock split, reverse stock split, stock dividend, recapitalization or other event affecting all shares of Heska Common Stock).

"Heska Control Put Notice" has the meaning set forth in Section 9.05(h).

"Heska Manager" means a Manager specified as such in Section 7.04(a) or subsequently designated as such by Heska in accordance with Section 7.04(f).

"Heska Performance Call Notice" has the meaning set forth in Section 9.05(g)(i).

"Heska Performance Call Option" has the meaning set forth in Section 9.05(g).

"Heska Performance Call Period" has the meaning set forth in Section 9.05(g).

"Heska Performance Call Price" has the meaning set forth in Section 9.05(g)(ii).

"Heska Performance Call Units" has the meaning set forth in Section 9.05(g).

"Heska Purchase Right" has the meaning set forth in Section 9.10.

"Heska Purchased Units" has the meaning set forth in the Preamble.

"Immediate Family" means (i) with respect to any individual, his or her ancestors, spouse, issue, spouses of issue, any trustee or trustees, including successor and additional trustees, of trusts principally for the benefit of any one or more of such individuals, and any entity or entities all of the beneficial owners of which are such trusts and/or such individuals, (ii) with respect to a legal representative, the Immediate Family of the individual for whom such legal representative was appointed and (iii) with respect to a trustee, the Immediate Family of the individuals who are the principal beneficiaries of the trust.

"Indemnitee" has the meaning set forth in Section 7.06(c).

"Information" has the meaning set forth in Section 8.06(a).

"Liquidation Value Procedure" has the meaning set forth in Section 11.10(e).

"License Agreement" means that certain Amended and Restated License Agreement dated as of the date hereof by and between the Company and Cuattro.

"Lock-Up Agreement" means each of those certain Lock-Up Agreements of Heska and each of the Company, the Founder, the Continuing Members and the Redeemed Members executed and delivered pursuant to the Purchase Agreement.

"Manager" means any individual appointed by the Members in accordance with the terms of this Agreement to serve as a Manager, respectively, as of the date of this Agreement as specified in Section 7.04(a), and any individual who becomes an additional, substitute or replacement Manager in accordance with Section 7.04(f), in each such individual's capacity as (and for the period during which such individual serves as) a Manager of the Company.

"Material Contract" has the meaning set forth in Section 7.02(j).

"Member" shall refer severally to the Members identified in this Agreement and any Person who becomes a Member as permitted by this Agreement, in such Person's capacity as a Member of the Company. "Members" shall refer collectively to all such Persons in their capacities as Members.

"Membership Interest" means all of a Member's interest in the Company, carrying the rights and obligations set forth in this Agreement.

"Member Representative" has the meaning set forth in Section 9.05(a).

"NASDAQ Official Close Price" means the price per share displayed on the NASDAQ website (www.nasdaq.com) under the heading NASDAQ Official Close Price for each Trading Day.

"Net Profits" and "Net Losses" mean the taxable income or loss, as the case may be, for a period as determined in accordance with Code Section 703(a) computed with the following adjustments:

(i) Items of gain, loss, and deduction shall be computed based upon the Carrying Values of the Company's assets (in accordance with Treasury Regulation Sections 1.704-1(b)(2)(iv)(*g*) and/or 1.704-3(d)) rather than upon the assets' adjusted bases for federal income tax purposes;

(ii) Any tax-exempt income received by the Company shall be included as an item of gross income;

(iii) The amount of any adjustment to the Carrying Value of any Company asset pursuant to Section 734(b) or Section 743(b) of the Code that is required to be reflected in the Capital Accounts of the Members pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(*m*) shall be treated as an item of gain (if the adjustment is positive) or loss (if the adjustment is negative), and only such amount of the adjustment shall thereafter be taken into account in computing items of income and deduction.

(iv) Any expenditure of the Company described in Code Section 705(a)(2)(B) (including any expenditures treated as being described in Section 705(a)(2)(B) pursuant to Treasury Regulations under Code Section 704(b)) shall be treated as a deductible expense;

(v) The amount of items of income, gain, loss or deduction specially allocated to any Members pursuant to Section 6.02 shall not be included in the computation;

(vi) The amount of any unrealized gain or unrealized loss attributable to an asset at the time it is distributed in kind to a Member shall be included in the computation as an item of income or loss, respectively; and

(vii) The amount of any unrealized gain or unrealized loss with respect to the assets of the Company that is reflected in an adjustment to the Carrying Values of the Company's assets pursuant to clause (ii) of the definition of "Carrying Value" shall be included in the computation as items of income or loss, respectively.

"Notice Calculation" has the meaning set forth in Section 9.05(i)(i).

"Officers" has the meaning set forth in Section 7.07(a).

"Operating Income" means, as provided in an Audit Report, (i) net income of the Company, after restoring thereto amounts deducted in determining net income in respect of (A) interest, (B) taxes, (C) currency gains or losses, (D) depreciation or amortization related to Heska's purchase of Units, (E) non-ordinary course of business charges or accelerated depreciation, amortization, non-recurring charges or write-downs, (F) allocation of overhead or general and administrative costs of Heska not directly attributable to the operations of the Company, (G) costs relating to the preparation of any Audited Company Financial Statements or an Audit Report to the extent such costs exceed the estimated cost of preparation of reviewed financial statements for the corresponding period, as estimated in good faith by Heska, (H) public market regulatory costs, and (I) any gains or losses unrelated to rental or sale of: (1) the Product(s), Services(s) or Support (as defined and updated from time to time pursuant to the Supply Agreement and the License Agreement), or (2) the warranty or support services provided under that certain Master Warranty and Support Terms and Conditions pursuant to the Supply Agreement, as such items are calculated in a manner consistent with GAAP, plus (ii) any Retained Lease Income Adjustment.

"Operating Revenue" means, as provided in an Audit Report, (i) gross sales, net of discounts and allowances payable to unaffiliated third parties in connection with sales of goods or services to such unaffiliated third parties, recognized by the Company as determined in accordance GAAP, including SEC Staff Accounting Bulletin No. 101, plus (ii) any Retained Lease Adjustment. For the purposes of calculating Operating Revenue, all revenue with respect to any 1-year warranty bundled and included in equipment sales shall be recognized as revenue at the time of shipment.

"Option Price" shall mean (i) the 2015 Valuation immediately following the Company's receipt of the Audit Report for the fiscal year ended December 31, 2015; (ii) the 2016 Valuation immediately following the Company's receipt of the Audit Report for the fiscal year ended December 31, 2016; or (iii) the 2017 Valuation immediately following the Company's receipt of the Audit Report for the fiscal year ended December 31, 2017.

"Original Allocation" has the meaning set forth in Section 6.02(e).

"Other Securities" means any option, warrant, security or other right to subscribe for, purchase or otherwise acquire a Unit or interest therein, whether through conversion, exchange, exercise or otherwise.

"Performance Condition A" exists when Operating Revenue is at least $20.00 million in any given fiscal year of the Company, as provided in the applicable Audit Report.

"Performance Condition B" exists when Operating Revenue is at least $30.00 million and Operating Income is at least $3.00 million in any given fiscal year of the Company, as provided in the applicable Audit Report.

"Performance Condition C" exists when Operating Revenue is at least $40.00 million and Operating Income is at least $4.50 million in any given fiscal year of the Company, as provided in the applicable Audit Report.

"Performance Condition D" exists when Operating Revenue is at least $50.00 million and Operating Income is at least $6.50 million in any given fiscal year of the Company, as provided in the applicable Audit Report.

"Performance Year" has the meaning set forth in Section 9.05(f).

"Permitted Debt" has the meaning set forth in Section 7.08(c).

"Permitted Persons" has the meaning set forth in Section 7.08(a).

"Permitted Transferee" has the meaning set forth in Section 9.02(a).

"Person" means any individual, general partnership, limited partnership, limited liability partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association and the heirs, executors, administrators, legal representative, successors and assigns of such Person where the context so permits.

"Pledge" and any grammatical variation thereof means, with respect to an interest, asset, or right, any pledge, security interest, hypothecation, deed of trust, lien or other similar encumbrance granted with respect to the affected interest, asset or right to secure payment or performance of an obligation.

"Prior Agreement" has the meaning set forth in the Preamble.

"Proceeding" has the meaning set forth in Section 7.12.

"Purchase Agreement" has the meaning set forth in the Preamble.

"Purchase Agreement Price" means $7.16 per Unit.

"Put Percentage" means the percentage of the Cuattro Performance Put Units to the total number of Units outstanding as of the date of any Cuattro Performance Put Notice.

"Receiving Party" has the meaning set forth in Section 8.06(a).

"Redeemed Members" has the meaning set forth in the Preamble.

"Redeemed Units" has the meaning set forth in the Preamble.

"Redemption Price" has the meaning set forth in the Preamble.

"Related Party Matter" has the meaning set forth in Section 7.11.

"Release" means each of those certain Releases of the Company and Heska executed and delivered pursuant to the Purchase Agreement.

"Representative" has the meaning set forth in Section 8.06(a).

"Restricted Employee" has the meaning set forth in Section 7.08(b)(ii).

"Retained Lease" means to each lease or rental agreement with a customer of the Company retained by the Company and not disposed of pursuant to the DLL Agreement or other arrangement of the Company with a third party.

"Retained Lease Adjustment" means, with respect to each Retained Lease, an amount equal to (A) the gross revenue recognizable with respect to an identical lease or rental agreement pursuant to the DLL Agreement, minus (B) the gross revenue recognized in the Audit Report with respect to each Retained Lease for which an adjustment is made pursuant to clause (A) of this definition. For the purposes of calculating the Retained Lease Adjustment, Heska's cost of capital (estimated by Heska in good faith) shall be substituted for the rate of interest provided pursuant to the DLL Agreement, if such substitution would result in a greater Rental Lease Adjustment.

"Retained Lease Income Adjustment" means, with respect to each Retained Lease, an amount reasonably agreed to by the Company and Heska to reflect an adjustment to net income, as provided in an Audit Report, to treat such Retained Lease as if it had been disposed of pursuant to the DLL Agreement or other arrangement of the Company with a third party, which adjustment to net income shall be consistent with the corresponding Retained Lease Adjustment.

"Reviewing Arbitrator" has the meaning set forth in Section 9.05(i)(iv).

"Share Delivery Price" means the average of the NASDAQ Official Close Price of Heska Common Stock for each Trading Day during the 10 Trading-Day period ending on the date immediately prior to the delivery of, as applicable, (i) the Cuattro Performance Put Notice or (ii) the Heska Performance Call Notice, multiplied by 0.90.

"Securities Act" means the Securities Act of 1933, as from time to time amended and in effect.

"Subsidiary" means any corporation, partnership, trust, limited liability company or other non-corporate business enterprise in which the relevant Person (or another Subsidiary of such Person) holds stock or other ownership interests representing (a) more than 50% of the voting power of all outstanding stock or ownership interests of such entity or (b) the right to receive more than 50% of the net assets of such entity available for distribution to the holders of outstanding stock or ownership interests upon a liquidation or dissolution of such entity.

"Supply Agreement" means that certain Supply Agreement dated as of the date hereof by and between the Company and Cuattro.

"Target Balance" means, for each Member at any point in time, either (i) a positive amount equal to the net amount, if any, the Member would be entitled to receive or (ii) a negative amount equal to the net amount the Member would be required to pay or contribute to the Company or to any third party, assuming, in each case, that (A) the Company sold all of its assets for an aggregate purchase price equal to their aggregate Carrying Value (assuming for this purpose only that the Carrying Value of any asset that secures a liability that is treated as "nonrecourse" for purposes of Treasury Regulation Section 1.1001-2 is no less than the amount of such liability that is allocated to such asset in accordance with Treasury Regulation Section 1.704-2(d)(2)); (B) all liabilities of the Company were paid in accordance with their terms from the amounts specified in clause (A) of this sentence; (C) any Member that was obligated to contribute any amount to the Company pursuant to this Agreement or otherwise (including the amount a Member would be obligated to pay to any third party pursuant to the terms of any liability or pursuant to any guaranty, indemnity or similar ancillary agreement or arrangement entered into in connection with any liability of the Company) contributed such amount to the Company; (D) all liabilities of the Company that were not completely repaid pursuant to clause (B) of this sentence were paid in accordance with their terms from the amounts specified in clause (C) of this sentence; and (E) the balance, if any, of any amounts held by the Company was distributed in accordance with Section 5.01.

"Tax Distribution Amount" means at any point in time, the excess, if any, of (i) the product of (A) the net taxable income or gain of the Company from January 1, 2013 through the last day of the immediately preceding fiscal year of the Company, as reasonably estimated in good faith by the Board, and (B) sixty percent (60%); over (ii) the sum of all prior distributions to the Members pursuant to Section 5.01.

"Terminated Manager" has the meaning set forth in Section 7.04(e).

"Trading Day" means any day on which The Nasdaq Stock Market or, if the Heska Common Stock is not quoted on The Nasdaq Stock Market, the principal national or regional securities exchange on which the Heska Common Stock is listed, is open for trading or, if the Heska Common Stock is not so listed, admitted for trading or quoted, any Business Day. A Trading Day only includes those days that have a scheduled closing time of 4:00 p.m. (New York City time) or the then standard closing time for regular trading on the relevant exchange or trading system.

"Transfer" and any grammatical variation thereof means any sale, exchange, issuance, redemption, assignment, distribution or other transfer, disposition or alienation in any way (whether voluntarily, involuntarily or by operation of law) as to any interest in the Company. Transfer shall specifically, without limitation of the above, include assignments and distributions resulting from death, incompetency, bankruptcy, liquidation and dissolution. "Transfer" includes a Pledge made by any Person other than Heska or an Affiliate of Heska.

"Unit" means a unit of Membership Interest, and any successor security or interest.

"Unit Appreciation Right" means a right the Company may grant to an employee, Officer or Manager entitling such person to share in the proceeds received by the Members upon certain transactions involving the sale by the Members of some or all of their Units, which right shall have such terms and conditions as agreed upon by a majority interest of the Members and Heska.

"Unit Register" means a list of Members and their respective holdings of Units, together with all pertinent information relevant to the determination of the capital contributions relating to such Units, maintained with the books and records of the Company.

ARTICLE II

GENERAL

2.01. Name of the Limited Liability Company. The name of the Company is "Heska Imaging US, LLC". Subject to Section 7.02, the name of the Company may be changed at any time or from time to time with the approval of the Board.

2.02. Registered Office; Agent for Service of Process. The name of the registered agent for service of process on the Company in the State of Delaware and the address of the registered office of the Company in the State of Delaware shall be as set forth in the Certificate as in effect at the relevant time. The Board may cause the Company to establish places of business within and without the State of Delaware, as and when required by the Company's business and in furtherance of its purposes set forth in Section 2.04, and may appoint (or cause the appointment of) agents for service of process in all jurisdictions in which the Company shall conduct business. The Company may, with the approval of the Board, change from time to time its resident agent for service of process, or the location of its registered office, in the State of Delaware.

2.03. Certain Filings; Organization and Continuation. The Company was organized on April 4, 2011, and shall continue in perpetuity unless terminated in accordance with Article X. The Company shall cause to be filed such certificates and documents as may be necessary or appropriate to comply with the Act and any other applicable requirements for the organization, continuation and operation of a limited liability company in accordance with the laws of the State of Delaware and any other jurisdictions in which the Company shall conduct business, and shall continue to do so for so long as the Company conducts business therein. Each Officer is hereby designated as an "authorized person" within the meaning of the Act.

2.04. Purposes and Powers. The Company and its Subsidiaries may engage in (a) the business of developing, marketing and selling products, software, and services for the veterinary market, (b) subject to Section 7.02, any other business or activity in which a limited liability company organized under the laws of the State of Delaware may lawfully engage, and (c) any other transactions necessary or incident to the foregoing clauses (a) and (b). The Company shall have and exercise all of the powers and rights conferred upon limited liability companies formed pursuant to the Act.

2.05. Members. The name and address of each Member are set forth in the Unit Register. Additional Members may only be admitted to the Company in accordance with Section 9.03. No Member shall have the right or power to resign or withdraw from the Company (except upon a Transfer of record ownership of all of such Member's Units in compliance with, and subject to, the provisions of Article IX). No Member may be expelled or required to resign or withdraw from the Company (except upon a Transfer of record ownership of all of such Member's Units in compliance with, and subject to, the provisions of Article IX).

2.06. Managers as Members. A Manager may hold an interest in the Company as a Member, and such individual's rights and interest as a Manager shall be distinct and separate from such individual's rights and interest as a Member.

2.07. Liability of Members. The liability of a Member for the losses, debts and obligations of the Company shall be limited to its capital contributions, if any; provided, however, that only to the extent required under applicable law, the Members may under certain circumstances be liable to the Company to the extent of previous distributions made to them in the event that the LLC does not have sufficient assets to discharge its liabilities. Without limiting the foregoing, (i) no Member, in his, her or its capacity as a Member, shall have any liability to restore any negative balance in his, her or its Capital Account, and (ii) the failure of the Company to observe any formalities or requirements relating to exercise of its powers or management of its business or affairs under this Agreement or the Act shall not be grounds for imposing personal liability on the Members for liabilities of the Company.

2.08. No Partnership. The Company is not intended to be a general partnership, limited partnership or joint venture, and no Member or Manager shall be considered to be a partner or joint venturer of any other Member or Manager, for any purposes other than (solely with respect to the Members) income tax purposes, and this Agreement shall not be construed to suggest otherwise.

ARTICLE III

CAPITAL STRUCTURE

3.01. Units Generally. All Membership Interests in the Company shall be denominated in Units. Subject to the other provisions of this Agreement (including those governing the Members' respective rights to receive allocations of Net Profits and Net Losses and distributions of cash or other property), each Unit shall have the rights, and be subject to the obligations, equivalent to those of each other Unit, and there shall be no separate classes or series of Units. Subject to Section 7.02, Units shall be issued to such Persons, in such amounts and for such consideration as the Board may approve.

3.02. Certification of Units. The Board may in its sole discretion issue certificates to the Members representing the Units held by such Member. If the Board determines to issue such Unit certificates, the Units represented by such certificates shall be deemed to be "securities" and shall be governed by Article 8 of the Uniform Commercial Code of the State of Delaware (but the designation of the Units as securities for purposes of such law does not mean that the Units are securities for any other purposes). Each certificate (if any) evidencing Units held by any Member or his, her or its Permitted Transferee and each certificate issued in exchange for or upon the Transfer of any such Units shall be stamped or otherwise imprinted with any necessary or desirable legends, as determined by the Board in its sole discretion.

3.03. Voting Power of Units. With respect to any matter submitted to a vote of the Members, each Member shall be entitled to one (1) vote per each Unit held by such Member.

3.04. Unit Register. The Company shall maintain a Unit Register and in connection with any valid issuance or Transfer of Units and the payment of capital contributions or other consideration to the Company with respect to Units (if any), in accordance with the provisions of this Agreement, the Unit Register shall be amended to reflect the number of such Units, the names of the transferors and the transferees and the appropriate Units certificate number(s) (if applicable), the amounts of capital contributions or other consideration paid to the Company in respect of each Unit (if applicable) and such other information as may be reasonably necessary to record all relevant details of an issuance or Transfer of, or a capital contribution made with respect to, Units. The Unit Register shall be amended from time to time to reflect any changes in the foregoing information and any such amendment to the Unit Register may be effected by any Officer without any vote, consent, approval or other action of the Board or the Members.

ARTICLE IV

CAPITAL CONTRIBUTIONS; ADDITIONAL FINANCING

4.01. Capital Accounts. For each Member (and each Permitted Transferee), the Company shall establish and maintain a separate Capital Account. The Capital Account of each Member as of the Agreement Date is set forth on Schedule B hereto.

4.02. Capital Contributions. No Member shall be obligated or permitted to contribute any additional capital to the Company without the prior written consent of such Member and, as required pursuant to Section 7.02, the unanimous consent of the Board. No interest shall accrue on any contributions to the capital of the Company, and no Member shall have the right to withdraw or to be repaid any capital contributed by it or to receive any other payment in respect of its interest in the Company, including as a result of the withdrawal or resignation of such Member from the Company, except as specifically provided in this Agreement.

4.03. Loans. Subject to Section 7.02, in the event that the Company requires additional funds to carry out its purposes, to conduct its business, or to meet its obligations, or to make any expenditure authorized by this Agreement, the Company may borrow funds from such one or more of the Members, or from such third party lender(s), and on such terms and conditions, as may be acceptable to the Board.

4.04. Affiliate Debt. Notwithstanding any provision of this Agreement to the contrary, unless otherwise approved by a Heska Manager and the Founder Manager, any funds borrowed by the Company from, or loaned by the Company to, one or more of the Members or any Affiliate of a Member or the Company shall bear interest at a rate equal to the rate of interest provided under the Credit and Security Agreement by and among Heska, Diamond Animal Health, Inc., an Iowa corporation, and Wells Fargo Bank, National Association, as such agreement may be amended, restated or replaced from time to time.

ARTICLE V

DISTRIBUTIONS

5.01. Distributions.

(a) Except as provided in Section 5.01(b) and Section 10.03(b), cash and property of the Company shall be distributed to the Members, at such times and in such amounts as the Board may determine (subject to Section 18-607 of the Act and Section 7.02), in proportion to the Members' respective holdings of Units.

(b) On or before the earlier of (i) April 1 of each calendar year, or (ii) 45 days after the delivery to the Company of the Audit Report for the immediately preceding fiscal year, the Company shall distribute cash in an amount equal to the Tax Distribution Amount to the Members in proportion to their respective holdings of Units.

5.02. Withholding and Taxes. Notwithstanding anything to the contrary herein, to the extent that the Company is required, or elects, pursuant to applicable law, either (i) to pay tax (including estimated tax) on a Member's allocable share of Company items of income or gain, whether or not distributed, or (ii) to withhold and pay over to the tax authorities any portion of a distribution otherwise distributable to a Member, the Company may pay over such tax or such withheld amount to the tax authorities, and such amount shall be treated, in the discretion of the Board, as (i) a distribution to such Member at the time it is paid to the tax authorities, or (ii) a demand loan to such Member, on such terms as the Board shall reasonably determine (which terms shall include the payment of interest by the Member on such loan). Repayment of any such demand loan by the Member will not be considered a capital contribution for purposes of this Agreement. Taxes withheld on amounts directly or indirectly payable to the Company and taxes otherwise paid by the Company (other than in the case where the amount of taxes paid by the Company is treated as a demand loan to the Member) shall be treated for purposes of this Agreement as distributed to the appropriate Members and paid by the appropriate Members to the relevant taxing jurisdiction.

5.03. Distribution of Assets in Kind. No Member shall have the right to require any distribution of any assets of the Company in kind. If any assets of the Company are distributed in kind, such assets shall be distributed on the basis of their fair market value net of any liabilities as reasonably determined by the Board. Any Member entitled to any interest in such assets shall, unless otherwise determined by the Board, receive separate assets of the Company and not an interest as a tenant-in-common with other Members so entitled in any asset being distributed.

ARTICLE VI

ALLOCATION OF NET PROFITS AND NET LOSSES

6.01. Basic Allocations.

(a) Except as provided in Section 6.02, which shall be applied first, Net Profits and Net Losses of the Company for any period shall be allocated among the Members in such proportions and in such amounts as may be necessary so that following such allocations, the Adjusted Capital Account balance of each Member equals such Member's then Target Balance.

(b) If the amount of Net Profits or Net Losses allocable to the Members pursuant to Section 6.01(a) for a period is insufficient to allow the Adjusted Capital Account balance of each Member to equal such Member's Target Balance, such Net Profits or Net Losses shall be allocated among the Members in such a manner as to decrease the differences between the Members' respective Adjusted Capital Account balances and their respective Target Balances in proportion to such differences.

6.02. Regulatory Allocations. Notwithstanding the provisions of Section 6.01 above, the following allocations of Net Profits, Net Losses and items thereof shall be made in the following order of priority:

(a) Items of income or gain (computed with the adjustments contained in paragraphs (i), (ii), (iii), (vi) and (vii) of the definition of "Net Profits and Net Losses") for any taxable period shall be allocated to the Members in the manner and to the minimum extent required by the "minimum gain chargeback" provisions of Treasury Regulation Section 1.704-2(f) and Treasury Regulation Section 1.704-2(i)(4).

(b) All "nonrecourse deductions" (as defined in Treasury Regulation Section 1.704-2(b)(1)) of the Company for any taxable period shall be allocated to the Members in the same manner as Net Profits and Net Losses for such period; provided, however, that nonrecourse deductions attributable to "partner nonrecourse debt" (as defined in Treasury Regulation Section 1.704-2(b)(4)) shall be allocated to the Members in accordance with the provisions of Treasury Regulation Section 1.704-2(i)(1).

(c) Items of income or gain (computed with the adjustments contained in paragraphs (i), (ii), (iii), (vi) and (vii) of the definition of "Net Profits and Net Losses") for any taxable period shall be allocated to the Members in the manner and to the extent required by the "qualified income offset" provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(*d*).

(d) In no event shall Net Losses of the Company be allocated to a Member if such allocation would cause or increase a negative balance in such Member's Capital Account. Any Net Losses not allocated to a Member pursuant to this subsection (d) shall be allocated to the Members with positive Capital Account balances in proportion to their positive balances. For purposes of this Section 6.02(d) only, Capital Accounts shall be determined by increasing the Member's Capital Account balance by the amount the Member is obligated to restore to the Company pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(c) and the amount the Member is deemed obligated to restore to the Company pursuant to Treasury Regulation Sections 1.704-2(g)(1) and 1.704-2(i)(5)) and decreasing it by the amounts specified in Treasury Regulation Sections 1.704-1(b)(2)(ii)(*d*)(*4*), (*5*) and (*6*).

(e) In the event that items of income, gain, loss or deduction are allocated to one or more Members pursuant to any of subsections (a) through (d) above (the "Original Allocation"), subsequent items of income, gain, loss or deduction will first be allocated (subject to the provisions of subsections (a) through (d)) to the Members in a manner designed to result in each Member having a Capital Account balance equal to what it would have been had the Original Allocation not occurred; provided, however, that no such allocation shall be made pursuant to this subsection (e) if (i) the Original Allocation had the effect of offsetting a prior Original Allocation or (ii) the Original Allocation likely (in the opinion of the Company's accountants) will be offset by another Original Allocation in the future (*e.g.*, an Original Allocation of "nonrecourse deductions" under subsection (b) that likely will be offset by a subsequent "minimum gain chargeback" under subsection (a)).

(f) In the event a Member's interest is subject to vesting conditions, the Member shall only be allocated Net Profits and Net Losses pursuant to this Agreement if a valid Code Section 83(b) election has been made with respect to such interest. In the event a valid Code Section 83(b) election has been made and some or all of such Member's interest is forfeited, in the year of such forfeiture and subsequent years if necessary, items of gross income, gain, loss or deduction shall be allocated to such Member to the extent available so that as promptly as possible, the Member's Capital Account equals the amount it would have been if the Member's interest had been the reduced amount at all times. This Section 6.02(f) is intended to comply with Proposed Regulation Section 1.704-1(b)(4)(xii) and shall be interpreted in a manner consistent with such regulation.

(g) Except as otherwise provided herein or as required by Code Section 704, for tax purposes, all items of income, gain, loss, deduction or credit shall be allocated to the Members in the same manner as are Net Profits and Net Losses; provided, however, that if the Carrying Value of any property of the Company differs from its adjusted basis for tax purposes, then items of income, gain, loss, deduction or credit related to such property for tax purposes shall be allocated among the Members so as to take account of the variation between the adjusted basis of the property for tax purposes and its Carrying Value using the traditional method of making such allocations (as set forth in Treasury Regulation Section 1.704-3(b)), unless otherwise determined by the Board and with the consent of Heska.

6.03. Allocations Upon Transfer or Admission. In the event that a Member acquires an interest in the Company either by Transfer from another Member or by acquisition from the Company, the Net Profits, Net Losses, gross income, nonrecourse deductions and items thereof attributable to the interest so Transferred or acquired shall be allocated among the Members based on a method chosen by the Board, in its discretion, which method shall comply with Section 706 of the Code and shall be binding on all Members. For purposes of determining the date on which the acquisition occurs, the Company may make use of any convention allowable under Section 706(d) of the Code.

6.04. Timing of Allocations. Allocations of Net Profits, Net Losses and other items of income, gain, loss and deduction pursuant Section 6.01 and Section 6.02 shall be made for each fiscal year of the Company as of the end of such fiscal year; provided, however, that if there is an adjustment to the Carrying Value of the assets of the Company pursuant to clause (ii) of the definition of "Carrying Value," the date of such adjustment shall be considered to be the end of a fiscal year for purposes of computing and allocating such Net Profits, Net Losses and other items of income, gain, loss and deduction.

ARTICLE VII

MANAGEMENT

7.01. General. The Company shall be managed in accordance with the terms hereof. The business and affairs of the Company shall be managed by or under the direction of the Board, which (a) acting collectively in accordance with this Agreement, shall be the sole "manager" of the Company within the meaning of Section 18-101(10) of the Act (and no individual Manager shall (i) be a "manager" of the Company within the meaning of Section 18-101(10) of the Act or (ii) have any right, power of authority to act for or on behalf of the Company, to do any act that would be binding on the Company, or to incur any expenditures on behalf of the Company), (b) shall have the right, power and authority to exercise all of the powers of the Company except as otherwise provided by law or this Agreement and (c) except as otherwise expressly provided herein, shall make all decisions and authorize or otherwise approve all actions taken or to be taken by the Company; provided, however, that the Board may delegate such of its rights, powers and authority as it may determine in accordance with this Agreement to be necessary or appropriate to one or more Officers. Decisions or actions relating to the Company that are made or approved by the Board (or, with respect to matters requiring a vote, approval, consent or other action of the Members hereunder or pursuant to non-waivable provisions of applicable law, by the Members) in accordance with this Agreement shall constitute decisions or actions by the Company and shall be binding on the Company. Subject to Section 7.02, except as may be expressly provided otherwise elsewhere in this Agreement or pursuant to non-waivable provisions of the Act, the Members shall have no voting rights with respect to any matter, other than the rights to appoint Managers set forth in Section 7.04. Except as may be expressly provided otherwise elsewhere in this Agreement, no Member (in its capacity as such) shall have any right, power or authority to (and shall not) act for or on behalf of the Company, do any act that would be binding on the Company, or incur any expenditures on behalf of the Company, and each Member shall indemnify and hold harmless the Company and each other Member for any breach of the provisions of this sentence by such first Member; provided, however, that upon the request of any Member, the Board shall cause the Company to make an election under Section 754 of the Code.

7.02. Unanimous Consent of the Board. Notwithstanding Section 7.01 or anything else in this Agreement to the contrary, until the later of (i) the exercise of the Heska Performance Call Option or the Cuattro Performance Put Option, or (ii) the 6th anniversary of the Agreement Date, neither the Company nor any of its Subsidiaries may take any of the following actions without the express prior unanimous consent of the Board (for the avoidance of doubt, each of the following actions shall apply to each of the Company's Subsidiaries, substituting as appropriate the word "Subsidiary" for "Company" and making such other substitutions as appropriate for the context):

(a) Issue, grant or award any Units or Other Securities, or issue, grant or award any Unit Appreciation Right;

(b) Adopt, terminate or amend any equity compensation plan;

(c) Purchase or redeem any Units or Other Securities;

(d) Transfer any Units or Other Securities, except as expressly permitted pursuant to Section 9.01(c);

(e) Admit a new Member to the Company;

(f) Engage in any business or activity outside the scope of Section 2.04(a) or, to the extent related thereto, Section 2.04(c), or change any existing business or activity or purpose of scope of the Company or any of its Subsidiaries;

(g) (1) Incur any indebtedness (other than trade payables incurred in the ordinary course of business, and borrowings among solely the Company and its Subsidiaries), (2) guarantee any indebtedness or obligations of any Person (other than the Company and its Subsidiaries), (3) prepay, refinance, renew, modify or extend the terms of any indebtedness (other than trade payables incurred in the ordinary course of business, and borrowings among solely the Company and its Subsidiaries) other than payments required by the terms of the documentation thereof previously approved by the Board, as applicable, pursuant to this Section 7.02, or (4) create or suffer to exist any Pledge on any of its material assets;

(h) Enter into or become obligated with respect to any agreement that (1) has, or the subject property or services has, a value or potential cost to the Company and its Subsidiaries, taken as a whole, in excess of $75,000 in any transaction or series of related transactions, (2) contains any covenant that purports to restrict the business activity of the Company, any of its Subsidiaries or any Member or to restrict the right of the Company to make any distributions to its Members, (3) concerns the establishment or operation of a partnership, joint venture or similar arrangement, or (4) provides for a grant by the Company or any of its Subsidiaries to any other Person of exclusive or "most favored nation" rights (any agreement described by the foregoing clauses (1), (2), (3) or (4), a "Material Contract"), including any material amendment of any such Material Contract;

(i) Surrender, abandon or waive any material rights, assets or properties of the Company or any of its Subsidiaries;

(j) Select, hire, terminate or remove any Officer, which consent of the Board shall apply to such Officer's compensation and other terms and conditions of employment, including entering into, amending, renewing, extending or waiving any employment terms;

(k) Distribute any cash or other property to the Members (other than any distribution made pursuant to Section 5.01(b) or Section 10.03), or determine to make any such distribution;

(l) Without limiting the rights of any Member to receive distributions in compliance with the other provisions of this Agreement, make or accrue any loans or other advances of money to any Person;

(m) Convey, sell, lease, license, transfer, assign or otherwise dispose of any material portion of the assets of the Company or any of its Subsidiaries, in any transaction or series of related transactions; merge or otherwise consolidate with or into any other Person; acquire or make any investment in the business of another Person (or any portion thereof) (whether through the purchase of assets, securities or otherwise); or acquire any other assets that would be material to the Company or any of its Subsidiaries;

(n) Grant indemnification rights pursuant to Section 7.06(h);

(o) Omitted

(p) Lease or acquire any interest in real property;

(q) Initiate, confess any judgment with respect to, settle or compromise any material claim, dispute, litigation, arbitration, investigation or proceeding;

(r) Create or change the ownership of any Subsidiary;

(s) Convert or reorganize the Company or any of its Subsidiaries into another entity form (including a corporation), including a change in tax status without change in legal status;

(t) Consummate an initial public offering;

(u) Approve or effect, directly or indirectly, the dissolution, winding up or liquidation of the Company or any of its Subsidiaries;

(v) Amend the Certificate or this Agreement;

(w) Institute any proceedings to be adjudicated bankrupt or insolvent; consent to the institution of bankruptcy or insolvency proceedings against it; file a petition seeking, or consent to, the reorganization or relief under any applicable law relating to bankruptcy; consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or similar official) of it or a substantial part of its properties; making any assignment for the benefit of creditors; or take any action that would render it insolvent or unable to satisfy its debts and liabilities; or

(x) Agree or commit to do any of foregoing.

7.03. Binding the Company. The signature of any Officer on any agreement, contract, instrument or other document shall be sufficient to bind the Company in respect thereof and conclusively evidence the authority of the Officer and the Company with respect thereto, and no third party need look to any other evidence or require the joinder or consent of any other party; provided that, the Board, with respect to any particular document or transaction, may expressly authorize one or more individuals to execute and deliver any agreement, contract, instrument or other document on behalf of the Company, and any agreement, contract, instrument or other document executed by any such individual shall be sufficient to bind the Company in respect thereof.

7.04. Board.

(a) Number and Election. The Board shall initially consist of three (3) Managers, one of whom shall be a Founder Manager and two of whom shall be Heska Managers. The Founder shall serve as the initial Founder Manager. Robert B. Grieve, Ph.D. and Jason A. Napolitano shall serve as the initial Heska Managers. The number of Founder Managers and the number of Heska Managers shall be subject to adjustment as contemplated by Section 11.10(b).

(b) Term. Each Manager shall serve for a term ending on the earliest of his or her death, resignation or removal in accordance with the provisions of this Agreement.

(c) Resignation. Any Manager may resign by delivering a resignation in writing to the Company at its principal office (to the attention of the Chairman of the Board or the Chief Executive Officer) and to each other Manager. Such resignation shall be effective upon receipt unless it is specified to be effective at some later time or upon the happening of some later event.

The Heska Managers shall tender their resignations in accordance with this Section 7.04(c) upon the closing of the transactions contemplated by the Cuattro 12-Month Call Option, the Cuattro 18-Month Call Option, the Heska 12-Month Put Option or the Heska 18-Month Call Option. The Founder Manager shall tender his or her resignation in accordance with this Section 7.04(c) upon the closing of the transactions contemplated by the Cuattro Performance Put Option, the Heska Performance Call Option, the Cuattro Control Put Option, or if at any time Heska owns 100% of the outstanding Units.

(d) Removal. A Founder Manager may be removed at any time by the Founder, and a Heska Manager may be removed at any time by Heska (and only by Heska), in each case with or without cause, by notice of such removal given to each other Manager and to the Company.

(e) Termination. Upon the death, resignation or removal of any Manager (a "Terminated Manager"), (i) such Terminated Manager shall have no further authority under this Agreement, and (ii) such Terminated Manager shall have no further obligations or rights as a Manager under this Agreement (except for liabilities and rights accruing prior to the date of death, resignation or removal of such Terminated Manager's term, including rights to exculpation and indemnification under Section 7.06 that relate to actions or omissions occurring during such individual's service as a Manager).

(f) Vacancies. Any vacancy on the Board by reason of death, resignation or removal of a Founder Manager shall be filled by the Founder, and any vacancy occurring on the Board by reason of death, resignation or removal of a Heska Manager shall be filled by Heska, in each case by notice designating the new Founder Manager or Heska Manager (as the case may be) given to each other Manager and to the Company; provided that neither the Founder nor Heska shall have any duty or obligation to cause any vacancy on the Board to be filled. Each vacancy on the Board may be filled only by the Member that appointed the vacating Manager to the Board; provided, that each Founder Manager appointee must be reasonably acceptable to Heska and each Heska Manager appointee must be reasonably acceptable to the Founder. The Founder hereby agrees that the following individuals would be reasonably acceptable Heska Managers: Robert B. Grieve, Ph.D., Jason A. Napolitano, Michael J. McGinley and Nancy Wisnewski. Heska hereby agrees that the following individuals would be reasonably acceptable Founder Managers: Kevin S. Wilson, Clint Roth, Doug Wilson, Jr. and David Sveen.

(g) Time Commitment; Compensation. Each Manager shall be required to devote only such time to the business and affairs of the Company as may be reasonably necessary for the performance of his duties hereunder, and no Manager shall be required to devote all or any specified portion of his time to the business and affairs of the Company. Managers may be paid such reimbursement for expenses of attendance at meetings as the Board may from time to time determine, but shall not be entitled to, or paid, any other compensation for service as Managers. No such payment of reimbursement amounts, and no other provision of this Agreement, shall preclude any Manager from serving the Company or any of its Subsidiaries as an officer, agent or employee or in any other capacity and receiving compensation for such service

(h) Chairman of the Board. A Heska Manager shall serve as Chairman of the Board. Robert B. Grieve, Ph.D. shall serve as the initial Chairman of the Board and shall serve in such capacity until the earliest of his death, resignation or removal in accordance with the provisions of this Agreement. Heska may remove the Chairman of the Board from such position by notice of such removal given to each other Manager and to the Company. The Chairman of the Board may resign from such position by following the same procedure for resignation of a Manager, and the Chairman of the Board's resignation as a Manager shall automatically also constitute resignation as Chairman of the Board. In the case of any death, removal, resignation, or other vacancy of the Chairman of the Board, Heska may appoint a replacement Chairman of the Board from among the Managers. The Chairman of the Board shall preside at all meetings of the Board, and shall perform such other duties and possess such other powers as the Board may from time to time prescribe. The Chairman of the Board shall not be deemed to be an Officer for purposes of this Agreement.

(i) Regular Meetings. Regular meetings of the Board shall be held no less frequently than quarterly without notice at such time and place as shall be determined from time to time by resolution of the Board, provided that any Manager who is absent when such a determination is made shall be given notice of the determination.

(j) Special Meetings. Special meetings of the Board may be held at any time and place designated in a call by one or more Managers. For the avoidance of doubt, neither the Chief Executive Officer (in such capacity) nor any other Officer (in such capacity) may call a special meeting of the Board.

(k) Notice of Special Meetings. Notice of any special meeting of Board shall be given to each Manager by one of the Managers calling the meeting. Notice shall be duly given to each Manager (i) by giving notice to such Manager in person or by telephone at least 48 hours in advance of the meeting, (ii) by sending an electronic or facsimile notice, or delivering written notice by hand, to such Manager's last known business, home or electronic mail address at least 48 hours in advance of the meeting, or (iii) by sending written notice, via first-class mail or reputable overnight courier, to such Manager's last known business or home address at least 72 hours in advance of the meeting. A notice or waiver of notice of a meeting of the Board need not specify the purposes of the meeting.

(l) Waiver of Notice. Whenever notice of any meeting of the Board is required to be given by law, by the Certificate, or by this Agreement, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before, at or after the time stated in such notice, shall be deemed equivalent to notice. Attendance of a Manager at a meeting of the Board shall constitute a waiver of notice of such meeting, except when the Manager attends any such meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(m) Meetings by Conference Communications Equipment. Managers may participate in a meeting of the Board by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting

(n) Quorum. A majority of the Managers at any time in office shall constitute a quorum of the Board; provided, that no quorum shall exist unless the Founder Manager and at least one Heska Manager shall be present; provided, further, that the Founder Manager shall make himself available for meetings, in person or telephonically, for no less than 10 Business Days per month, and with respect to each month, shall respond to a request from the Company, within 3 Business Days, to identify those 10 Business Days by written notice to the Company no later than the last day of the preceding month. If at any meeting of the Board there shall not be a quorum, a majority of the Managers present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

(o) Action at Meeting. Every act or decision done or made by a majority of the Managers present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board unless a greater number is required by law or by this Agreement.

(p) Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting, if all of the members of the Board consent to the action in writing or by electronic transmission and the written consents and hard copies of the electronic transmissions are filed with the minutes of the proceedings of the Board.

7.05. Interpretation of Certain Rights and Duties of Members, Managers and Officers. To the fullest extent permitted by the Act and other applicable law:

(a) the Members' and Managers' respective obligations to each other and to the Company are limited to the express obligations set forth in this Agreement;

(b) no Member, in its capacity as such, shall have any fiduciary or similar duties or obligations to the Company or any Member or Manager, whether express or implied by the Act or any other law, in each case subject only to the implied contractual covenant of good faith and fair dealing. The Managers shall have the same fiduciary obligations and duties as comparable directors of a Delaware corporation and in all cases shall conduct the business of the Company and execute their duties and obligations in good faith and in the manner that each reasonably believes to be in the best interests of the Company. Notwithstanding the foregoing, the provisions of this Section 7.05(b) shall have no effect on the terms of any relationship, agreement or arrangement between any Manager and the Member appointing such Manager;

(c) subject to Section 7.05(b), each Member and Manager may, with respect to any vote, consent or approval that it is entitled to grant or withhold pursuant to this Agreement, grant or withhold such vote, consent or approval in its sole and absolute discretion, with or without cause, and subject to such conditions as it shall deem appropriate;

(d) for the avoidance of doubt, no Member shall be entitled to appraisal rights for any reason with respect to any Units; and

(e) the Managers shall act in good faith with regards to all Members and Unit holders and shall endeavor to disclose to the other Managers material information relating to the Company and its business that with reasonable business judgment may have or may reasonably be expected to have a material effect on the Company.

7.06. Exculpation and Indemnification.

(a) No Manager shall have any liability to the Company, any Member or any other Manager for any loss suffered by the Company that arises out of any action or inaction of such Manager if such course of conduct did not constitute gross negligence or willful misconduct of such Manager. The provisions of this Section 7.06(a) shall have no effect on the terms of any relationship, agreement or arrangement between any Manager and the Member appointing such Manager or on the terms of any relationship, agreement or arrangement between any Manager as an Officer and the Company.

(b) No Officer shall have any liability to the Company, any Member or any Manager for any loss suffered by the Company that arises out of any action or inaction of the Officer if (i) such Officer acted or omitted to act in the good faith and reasonable belief that such course of conduct was in the best interests of the Company, (ii) such course of conduct did not constitute gross negligence or willful misconduct of the Officer and (iii) such course of conduct did not constitute a breach or violation of any agreement between the Officer and the Company.

(c) The Company shall, to the fullest extent permitted by applicable law, indemnify each individual who is or was, or has agreed to become, a Manager or Officer of the Company, or is or was serving, or has agreed to serve, at the request of the Company, as a director, officer, manager or trustee of, or in a similar capacity with, a corporation, partnership, another limited liability company, joint venture, trust or other enterprise (including any employee benefit plan) (each such individual being referred to hereafter as an "Indemnitee") who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of his or her status as an Indemnitee, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by or on behalf of an Indemnitee in connection with such action, suit or proceeding and any appeal therefrom, provided that the applicable standards of conduct set forth in this Agreement are complied with by such Indemnitee.

(d) As a condition precedent to the Indemnitee's right to be indemnified, the Indemnitee must notify the Company in writing as soon as practicable of any action, suit, proceeding or investigation involving him or her for which indemnity hereunder will or could be sought. With respect to any action, suit, proceeding or investigation of which the Company is so notified, the Company will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee.

(e) In the event that the Company does not assume the defense of any action, suit, proceeding or investigation of which the Company receives notice under this Section 7.06, the Company shall pay in advance of the final disposition of such matter any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom; provided, however, that the payment of such expenses incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Company as authorized in this Section 7.06, which undertaking shall be accepted without reference to the financial ability of the Indemnitee to make such repayment; and further provided that no such advancement of expenses shall be made if it is determined, (i) in the case of an Indemnitee indemnified hereunder in his or her capacity as an Officer, that (A) the Indemnitee did not act or omit to act in the good faith and reasonable belief that such course of conduct was in the best interests of the Company, (B) the Indemnitee's course of conduct constituted gross negligence or willful misconduct of the Indemnitee or (C) with respect to any criminal action or proceeding, the Indemnitee had reasonable cause to believe his conduct was unlawful, or (ii) in the case of an Indemnitee indemnified hereunder in his or her capacity as a Manager, that (A) the Indemnitee's course of conduct constituted gross negligence or willful misconduct of the Indemnitee or (B) with respect to any criminal action or proceeding, the Indemnitee had reasonable cause to believe his conduct was unlawful.

(f) The Company shall not indemnify an Indemnitee to the extent such Indemnitee is reimbursed from the proceeds of insurance, and in the event the Company makes any indemnification payments to an Indemnitee and such Indemnitee is subsequently reimbursed from the proceeds of insurance, such Indemnitee shall promptly refund such indemnification payments to the Company to the extent of such insurance reimbursement.

(g) All determinations hereunder as to the entitlement of an Indemnitee to indemnification or advancement of expenses shall be made in each instance by (i) independent legal counsel (who may, to the extent permitted by law, be regular legal counsel to the Company), or (ii) a court of competent jurisdiction.

(h) The indemnification rights provided in this Section 7.06: (i) shall not be deemed exclusive of any other rights to which an Indemnitee may be entitled under any law, agreement or otherwise, and (ii) shall inure to the benefit of the heirs, executors and administrators of the Indemnitees.

(i) Subject to Section 7.02, the Company may, to the extent authorized from time to time by the Board, grant indemnification rights to other employees or agents of the Company or other individuals serving the Company and such rights may be equivalent to, or greater or less than, those set forth in this Section 7.06.

(j) Any indemnification to be provided hereunder may be provided although the individual to be indemnified is no longer a Manager or Officer.

(k) Notwithstanding anything to the contrary in this Section 7.06 or elsewhere in this Agreement, no Person shall be indemnified hereunder for any losses, liabilities or expenses arising from or out of a violation of federal or state securities laws or any other intentional or criminal wrongdoing or any breach of an employment agreement with the Company. Any indemnity under this Section 7.06 shall be paid from, and only to the extent of, Company assets, and no Member shall have any personal liability on account thereof in the absence of a separate written agreement to the contrary.

(l) Notwithstanding anything to the contrary in this Section 7.06 or elsewhere in this Agreement, the Company shall not be obligated to indemnify or advance expenses of any Indemnitee in connection with any civil or criminal action, suit or proceeding (including any action, suit or proceeding by or in the right of the Company) initiated by such Indemnitee unless (i) the action, suit, or proceeding was authorized by the Board or (ii) in the case of indemnification, such action, suit or proceeding is to enforce rights to indemnification under this Agreement or any written agreement between an Indemnitee and the Company.

7.07. Officers.

(a) Appointment. The officers of the Company (the "Officers") shall consist of a Chief Executive Officer, a Chief Financial Officer, and such other Officers with such other titles as the Board shall from time to time determine. The initial Officers are listed on Schedule A attached hereto.

(b) Qualification. No Officer need be a Manager or a Member. Any two or more offices may be held by the same individual.

(c) Tenure. Except as otherwise provided by law or by this Agreement, each Officer designated by the Board shall hold office until his death, resignation or removal by the Board, unless a different term is specified in the action of the Board designating him. Any Officer may resign by delivering his written resignation to the Board. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Any Officer may be removed at any time, with or without cause, by the Board. Except as the Board may otherwise determine, no Officer who resigns or is removed shall have any right to any compensation as an Officer for any period following his resignation or removal, or any right to damages on account of such removal, whether his compensation be by the month or by the year or otherwise, unless such compensation is expressly provided in a duly authorized written agreement with the Company.

(d) Vacancies. The Board may fill any vacancy occurring in any office for any reason and may leave unfilled for such period as it may determine any such other office.

(e) Compensation. Officers shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time in writing by the Board.

(f) Officers Generally. Those Officers with titles expressly referenced in the DGCL or customarily used in corporations organized under the DGCL, in their respective capacities as such, shall, unless otherwise provided herein or determined by the Board, have the statutory and customary rights, powers, authority, duties and responsibilities of officers with similar titles of a for-profit stock corporation organized and existing under the DGCL. Without limiting the generality of the foregoing, without the approval of the Board or, to the extent required hereby or by non-waivable provisions of applicable law, of the Members, no Officer shall have any right, power or authority to cause the Company to enter into any transaction or to take any other action that would, if the Company were a for-profit stock corporation organized and existing under the DGCL, require a vote or other approval of the board of directors or the stockholders of such corporation. The Members and the Board hereby delegate to each Officer rights, powers and authority with respect to the management of the business and affairs of the Company as may be necessary or advisable to effect the provisions of this Section 7.07(f). Officers shall be entitled to such salaries, compensation or reimbursement (if any) as shall be fixed or allowed from time to time by the Board. The Officers shall have the same fiduciary obligations and duties as comparable officers of a Delaware corporation and in all cases shall conduct the business of the Company and execute their duties and obligations in good faith and in the manner that he reasonably believes to be in the best interests of the Company.

(g) Chief Executive Officer. The Chief Executive Officer shall, subject to the direction of the Board, have general charge and supervision of the day-to-day business of the Company. The Chief Executive Officer shall perform such other duties and possess such other powers as the Board may from time to time prescribe.

(h) Chief Financial Officer. The Chief Financial Officer shall perform such duties and possess such powers as the Board may from time to time prescribe. In addition, the Chief Financial Officer shall perform such duties and possess such powers as are customarily incident to the office of chief financial officer in a corporation organized under the DGCL, including to render as required by the Board or otherwise pursuant to the provisions of this Agreement statements of financial transactions and of the financial condition of the Company.

7.08. Freedom of Action.

(a) General. Except as set forth in Section 7.08(c)(iv), each Heska Manager, Heska (in its capacity as a Member), their Affiliates, and their respective employees, officers, directors, stockholders, members, managers, trustees, partners, agents and representatives (collectively, the "Permitted Persons") may have other business interests and may engage in any business or activity whatsoever, for its own account, or in partnership with, or as an employee, officer, director, stockholder, member, manager, trustee, partner, agent or representative of, any other Person, and no Permitted Person shall be required to devote its entire time, or any particular portion of its time to the business of the Company. No Permitted Person shall have any obligation hereunder to present any business opportunity to the Company, and no Permitted Person shall be liable to the Company or any Member (or any Affiliate thereof) for breach of any fiduciary or other duty, by reason of the fact that the Permitted Person pursues or acquires such business opportunity, directs such business opportunity to another Person or fails to present such business opportunity, or information regarding such business opportunity, to the Company.

(b) Founder Restrictions. Until the consummation of the transactions contemplated by the Cuattro 12-Month Call Option, the Cuattro 18-Month Call Option, the Heska 12-Month Put Option, the Heska 18-Month Put Option, or the Cuattro Control Put Option, the Founder covenants and agrees as follows:

(i) For a period of two (2) years from the Agreement Date, Founder shall not, directly or indirectly, whether as owner, partner, investor, consultant, agent, employee, co-venturer or otherwise, engage, anywhere in the United States of America, in any veterinary business, or in developing, selling, manufacturing, distributing or marketing any veterinary product or veterinary service, that competes directly in a material way, or is reasonably likely to compete directly in a material way, with the Company.

(ii) For a period of two (2) years from the Agreement Date, Founder shall not (A) hire or attempt to hire any individual who is then or was within the prior 6 months an employee of the Company, (each a "Restricted Employee"), (B) assist in such hiring by any Person, (C) encourage any Restricted Employee to terminate his or her relationship with the Company, or (D) solicit or encourage any customer or vendor of the Company to terminate or diminish its relationship with the Company, or, in the case of a customer, to conduct with any Person any business or activity that such customer conducts or could conduct with the Company.

(iii) Such Founder acknowledges and agrees that he shall not make any false, disparaging or derogatory statements to any media outlet, industry group, client, customer, financial institution or current or former employee or director of, or consultant to, the Company or Heska (A) regarding the Company, Heska, any Affiliate of the Company or Heska, or any of the directors, officers, employees, agents or representatives of the Company, Heska or any of their respective Affiliates or (B) about the business affairs and financial condition of the Company, Heska or any of their respective Affiliates.

(iv) The parties acknowledge that each of the covenants in this Section 7.08(b) is intended to be separate and independent.

(v) In order to induce Heska to execute and deliver this Agreement and close on the transactions contemplated by the Purchase Agreement, the Founder agrees to be bound by the covenants in this Section 7.08(b).

(vi) The Founder acknowledges and agrees that the duration and geographic scope of these restrictions are fair and reasonable in light of the nature of the respective businesses of the Company and Heska, the consideration to be received by the Company and Affiliates of the Founder pursuant to the Purchase Agreement, the consideration to be received by such Founder and his Affiliates from Heska in any purchase and sale under Section 9.05 and such Founder's role as a Manager or Officer of the Company, as applicable, and are necessitated by legitimate business needs and acknowledges that these restrictions will not prevent him from earning a living in other businesses or geographies.

(vii) If the final judgment of a court of competent jurisdiction declares that any term or provision of this Section 7.08(b) is invalid or unenforceable for any reason, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed. The Founder further acknowledges that Heska and the Company will be entitled (without posting bond or other security) to injunctive or other equitable relief, as deemed appropriate by any such court or tribunal, to prevent a breach of its or his obligations set forth in this Section 7.08(b). The obligations under this Section 7.08(b) shall terminate on the expiration or termination of this Agreement.

(viii) Founder shall not be required to devote his entire time, or any particular portion of his time to the business of the Company. Founder shall not have any obligation hereunder to present any business opportunity to the Company, and shall not be liable to the Company or any Member (or any Affiliate thereof) for breach of any fiduciary or other duty, by reason of the fact that the Founder pursues or acquires such business opportunity, directs such business opportunity to another Person or fails to present such business opportunity, or information regarding such business opportunity, to the Company; provided, that until the exercise of the Cuattro Performance Put Option or the Heska Performance Call Option, the Founder shall not commercialize any such business opportunity so that it competes directly in a material way, or is reasonably likely to compete directly in a material way, with the Company.

(ix) Subject to any other written agreement in effect from time to time between the Founder and the Company, Heska or their Affiliates, and Section 7.08(b)(viii), Founder has, as of the date of this Agreement, and shall continue to have in the future, business interests that require his time, resources, and attention, including Cuattro, Cuattro Medical, LLC, a Delaware limited liability company, Cuattro Software, LLC, a Delaware limited liability company and Cuattro Veterinary, LLC, a Delaware limited liability company, each having its own business purpose, capital structure, assets, liabilities, rights, and opportunities.

(c) Heska Restrictions. Heska covenants and agrees as follows:

(i) Until the consummation of the transactions contemplated by the Cuattro 12-Month Call Option, the Cuattro 18-Month Call Option, the Heska 12-Month Put Option, the Heska 18-Month Put Option, or the Cuattro Control Put Option, Heska shall not pledge any of the Units held by it (other than with respect to financing existing on the Agreement Date and any replacement institutional financing, or any refunding, refinancings, extensions or modifications thereof)(the "Permitted Debt"), or create non-trade debt with respect to, or grant a security interest in (other than securing Permitted Debt), the assets of the Company without the prior written consent of the Founder Manager, which consent shall not be unreasonably withheld, delayed or conditioned.

(ii) For so long as any indebtedness for borrowed money is owed by Heska or an Affiliate of Heska to the Company, Heska shall not (A) pay any cash dividends with respect to outstanding shares of the Common Stock of Heska in excess of an amount equal to (i) the cash on Heska's balance sheet at the date of such transaction, less (ii) the then outstanding principal of such indebtedness to the Company the ("Available Cash"), or (B) redeem or repurchase any outstanding shares of the Common Stock of Heska (except for acquisitions of such Common Stock by Heska in accordance with (1) this Agreement, and (2) outstanding agreements between Heska and its employees or consultants) in an amount in excess of an amount equal to the Available Cash.

(iii) Until the Cuattro Performance Put Option or the Heska Performance Call Option is exercised, Heska shall not, and shall not cause the Company to, terminate the employment of either Steve Asakowicz or Rod Lippincott without cause (as such term is defined in any then current written employment agreement between the Company, on the one hand, and any of such executives, on the other hand, as applicable) without the prior written consent of the Founder Manager, which consent shall not be unreasonably withheld, delayed or conditioned.

(iv) Until the exercise of the Cuattro Performance Put Option or the Heska Performance Call Option, Heska shall not directly, whether as owner, partner, investor, consultant, agent, co-venturer or otherwise, engage, anywhere in the United States of America, in developing, selling, manufacturing, distributing or marketing any veterinary product or veterinary service, that competes directly in a material way, or is reasonably likely to compete directly in a material way, with the Company.

(d) Contracts with Members, Managers and Officers. Subject to Section 7.02 and Section 7.12, the Company or any of its Subsidiaries may engage in business with, or enter into one or more agreements, leases, contracts or other arrangements for the furnishing to or by it of goods, services, technology or space with, any Member, Manager or Officer, or an Affiliate of any Member, Manager or Officer, and may pay compensation in connection with such business, goods, services, technology or space; provided, however, that if such action or payment can be reasonably anticipated to reduce Operating Revenue or Operating Income, such action shall require the unanimous consent of the Board.

7.09. Members. Any action required or permitted to be taken by Members pursuant to this Agreement (including pursuant to any provision of this Agreement that requires the consent or approval of Members) may be taken without a meeting, by a consent in writing, setting forth the action so taken, which consent shall be signed by all the Members.

7.10. Product Line Extensions. Heska and the Founder intend to consider the feasibility and advisability of seeking to acquire, license, develop, or otherwise add practice management software, and ancillary billing, distribution, and services, to the products of the Company. If the Board decides to add practice management software to the Products of the Company, then the financial results arising from any such products and services shall be included in the Company's Operating Revenue and Operating Income on the terms and conditions set forth in this Agreement. If the Board decides to not add practice management software to the Products of the Company, that line of business shall not be added to another Heska affiliate prior to January 1, 2018.

7.11. Enforcement of Certain Rights of the Company. Notwithstanding anything to the contrary herein, the Members and Managers acknowledge and agree that with respect to any contract, agreement or transaction (including any Ancillary Document) between the Company or any of its Subsidiaries, on the one hand, and a Founder or any of his Affiliates, on the other hand (each, a "Related Party Matter"), the Heska Managers shall have full power and authority, without the consent or approval of any other Manager, subject to the express terms and conditions of this Agreement, to (i) direct the exercise of all rights and remedies, if any, which may be available to the Company or any of its Subsidiaries, from time to time, with respect to any such Related Party Matter, and (ii) direct the exercise of all review, inspection, consent, waiver, approval, extension and renewal rights that may be available to the Company or any of its Subsidiaries from time to time with respect to any such Related Party Matter that is a contract.

7.12. Other. In addition to the other requirements in this Agreement, the Company shall (a) develop, maintain and comply with appropriate policies and procedures reasonably satisfactory to Heska; (b) the Company shall not be entitled to use any names or trademarks owned by Heska or any of its Affiliates without Heska's prior written consent; (c) provide prompt written notice to Heska of any actual or threatened material claim, dispute, litigation, arbitration, investigation or other proceeding involving the Company or any of its Affiliates or, to the extent relating to or impacting the business of the Company, their respective officers, directors, managers, partners or employees (each a "Proceeding"); (d) promptly keep Heska apprised as to all material developments in all Proceedings; (e) coordinate with Heska with respect to the defense or prosecution of all Proceedings, including the reasonable approval by Heska of counsel for the Company for each Proceeding; or (f) if reasonably requested by Heska, allow Heska to control and direct the defense or prosecution of any Proceeding (as applicable).

ARTICLE VIII

FISCAL MATTERS

8.01. Books and Records. The Company shall maintain complete and accurate books and records of the Company, which shall be maintained and be available, in addition to any documents and information required to be furnished to the Members under the Act, at the office of the Company for examination and copying by the Members, or his, her or its duly authorized representative, at its reasonable request and at its expense during ordinary business hours. Except as specifically provided in this Section 8.01 or required by non-waivable provisions of applicable law, no Member shall have any right to examine or copy any of the books and records of the Company. Notwithstanding the foregoing sentence or any other provision of this Agreement, Heska and the Founder and Founder Manager shall have access to and the right to examine and copy the books and records of the Company.

8.02. Reports.

(a) The Company shall prepare, or shall cause to be prepared, as soon as practicable after the end of each fiscal year of the Company, and in any event on or before the 90th day thereafter, a balance sheet, an income statement, a statement of cash flows and a statement of changes in each Member's capital for, or as of the end of, such year. These financial statements shall be prepared in accordance with GAAP and, if requested by Heska, shall be accompanied by an audit report of the Company Auditor certifying the statements and stating that their examination was made in accordance with the generally accepted auditing standards.

(b) The Company shall also prepare and provide to each of the Managers, as soon as practicable after the end of each calendar month and in any event on or before the 15th day thereafter, an unaudited balance sheet, an income statement, a statement of cash flows and a statement of changes in each Member's capital for, or as of the end of, (x) such month and (y) the portion of the then current fiscal year of the Company ending at the end of such month, in each case prepared on a consistent basis with the year-end audited financial statements, including all material adjustments consisting of normal recurring adjustments necessary to fairly present such financial statements.

(c) The Company shall also, within 120 days or such other time as reasonably requested by a Member after the end of each fiscal year, furnish all Members with such good faith estimated information as may be needed to enable the Members to file their estimated federal income tax returns and any required estimated state income tax return. The Parties understand that such information so provided by the Company shall be a good faith estimate. The Company will use reasonable commercial efforts to, within 270 days after the end of each fiscal year, furnish all Members with such information as may be needed to enable the Members to file their federal income tax returns and any required state income tax return.

(d) The Company shall bear the cost of all reports to be provided pursuant to Sections 8.02(b) or 8.02(c). Heska shall bear the cost of all reports to be provided pursuant to Section 8.02(a); provided, however, that for each report provided pursuant to Section 8.02(a), the Company shall reimburse Heska for the estimated cost of preparation of reviewed financial statements for the corresponding period, as estimated in good faith by Heska.

8.03. Bank Accounts. The Company shall be responsible for maintaining one or more accounts in one or more banks or other financial institutions, which accounts shall be used for the payment of the expenditures incurred by the Company in connection with its business, and in which shall be deposited any and all cash receipts of the Company. All deposits and funds not needed for the operation of the Company may be invested in short-term investments, including securities issued or fully guaranteed by United States government agencies, certificates of deposit of banks, bank repurchase agreements covering the securities of the United States government, commercial paper rated A or better by Moody's Investors Services, Inc., money market funds, interest-bearing time deposits in banks and thrift institutions and such other similar investments as the Board may approve. All such amounts shall be and remain the property of the Company, and shall be received, held and disbursed by the Board for the purposes specified in this Agreement. There shall not be deposited in any of said accounts any funds other than funds belonging to the Company, and no other funds shall in any way be commingled with such funds. Withdrawals from any Company bank or similar account shall be made and any other activity conducted on such signature or signatures as shall be approved by the Board.

8.04. Fiscal Year. The fiscal year of the Company shall end on December 31 of each year.

8.05. Tax Matters Partner. For all taxable years beginning after Heska becomes a Member of the Company, Heska shall serve as the "tax matters partner" of the Company. For all years ending prior to Heska becoming a Member, Kevin S. Wilson shall be the tax matters partner. If at any time such Person is not eligible under the Code to serve, or refuses to serve, as the tax matters partner, another Member shall be designated by the Board to serve as the tax matters partner. The tax matters partner is hereby authorized to and shall perform all duties of a tax matters partner under the Code and shall serve as tax matters partner until his, her or its resignation or until the designation of his, her or its successor, whichever occurs sooner.

8.06. Confidentiality.

(a) For purposes of this Agreement, "Information" means information disclosed by the Company or a Member (the "Disclosing Party") to any other Member or the Company (the "Receiving Party"). The Receiving Party agrees to maintain the Information in confidence with the same degree of care it holds its own confidential information (but in any event not less than reasonable care). A Receiving Party may only disclose Information to its Representatives (as defined hereinafter) on a need-to-know basis, and only to those of such Representatives whom shall have agreed to abide by the non-disclosure and non-use provisions in this Section 8.06. Each Receiving Party that is a Member agrees that he, she or it will not use for any purpose, other than to monitor its investment in the Company, any Information, and the Company agrees not to use for any purpose not expressly authorized by the Disclosing Party, any Information. The term "Representative" includes a Person's Affiliates, parents, Subsidiaries, directors, officers, employees, consultants, advisors, agents (including financial advisors, counsel, and accountants) or controlling persons of the Person and Representatives of any such Affiliates, parents, Subsidiaries, consultants, advisors or agents; provided, however, that a

Member is not a Representative of the Company. The obligations set forth in this Section 8.06(a) shall survive indefinitely (including after a Member ceases to hold any equity interest in the Company) but shall not apply to: (i) any Information that was already lawfully in the Receiving Party's possession free, to the knowledge of the Receiving Party, from any confidentiality obligation to the Disclosing Party at the time of receipt from the Disclosing Party; (ii) any Information that is, now or in the future, public knowledge through no act or omission in breach of this Agreement by the Receiving Party; (iii) any Information that was lawfully obtained from a third party having, to the knowledge of the Receiving Party, the right to disclose it free from any obligation of confidentiality; (iv) any Information that was independently developed by the Receiving Party prior to disclosure to it pursuant hereto and without recourse to or reliance upon Information disclosed to it pursuant hereto as established by its written records or other competent evidence, (v) disclosures which are, in the opinion of the Receiving Party after consultation with counsel, required to be made by applicable laws and regulations, stock market or exchange requirements or the rules of any self-regulatory organization having jurisdiction, (vi) disclosures required to be made pursuant to an order, subpoena or legal process or (vii) disclosures reasonably necessary for the conduct of any litigation or arbitral proceeding among the Members (and their respective Representatives) and/or the Company.

(b) The Company shall not, and shall cause its Representatives not to disclose any Information of a Member to any other Member without the prior written approval of the disclosing Member.

(c) A Member shall be free, in its own discretion, to share Information of such Member to other Members without the approval of the Company.

(d) Notwithstanding the foregoing provisions of this Section 8.06, Heska may disclose the terms of this Agreement in connection with due diligence of Heska or any subsidiary of Heska undertaken in connection with a prospective investment in, loan to or other incurrence of indebtedness by, or a business combination involving the Heska Parent or any such Subsidiary or any prospective transaction, subject to a customary confidentiality agreement.

ARTICLE IX

TRANSFERS OF UNITS AND ADMISSION OF ADDITIONAL MEMBERS

9.01. General Restrictions on Transfer; Permitted Transfers.

(a) For purposes of this Article IX, the term "Units" includes any Other Securities.

(b) Except as otherwise provided elsewhere in this Agreement, no Member may Transfer all or any part of the Units held by it to any Person except in compliance with the provisions of this Article IX. Any Transfer or attempted Transfer in contravention of the foregoing sentence or any other provision of this Agreement shall be null and void *ab initio* and ineffective to Transfer any Units, or any interest therein, and shall not bind, or be recognized by, or on the books of, the Company, and any transferee in such transaction shall not, to the maximum extent permitted by applicable law, be or be treated as or deemed to be a Member (or an assignee within the meaning of Section 18-702 of the Act) for any purpose.

(c) Subject to compliance in all instances with Section 9.02:

(i) Heska may, at any time, Transfer all or any portion of its Units to an Affiliate. Heska may, at any time, Transfer all or any portion of its Units to any third party that is not an Affiliate of Heska (A) pursuant to the consummation of any Heska Change in Control, (B) in connection with a sale or other disposition of equity or assets of the Heska business unit or segment of which the Company is a part, (C) with respect to a pledge of such Units in connection with Permitted Debt, or (D) upon the prior written consent of the Founder Manager, which consent shall not be unreasonably withheld, delayed or conditioned.

(ii) A Continuing Members may Transfer or be required to Transfer all or any portion of his or her or its Units pursuant to Section 9.05.

(iii) Heska may Transfer or be required to Transfer all or any portion of its Units pursuant to Section 9.05.

(iv) Shawna M. Wilson and Founder may Transfer all or any portion of their respective Units to Cuattro, The Wilson Family Trust, trusts established for the benefit of their then current minor dependents, or to any Affiliates of such entities.

(v) Other than as permitted by clauses (i) through (iv) of this Section 9.01(b), no Member may Transfer any of its Units without the prior written consent of the Board.

9.02. Agreement to Be Bound; Recognition of Transfers.

(a) Notwithstanding anything to the contrary contained in this Agreement, no Member may Transfer any Units to any transferee as permitted by this Agreement (a "Permitted Transferee") unless such Permitted Transferee agrees in writing to be bound by the terms of this Agreement, to the same extent, and in the same manner, as the Member proposing to Transfer such Units, which writing shall be in substantially the form and substance set forth on Exhibit B and shall include the address of such Permitted Transferee to which notices given pursuant to this Agreement may be sent. Further, no Member may Transfer any Units to any such Permitted Transferee unless, if such Permitted Transferee is a married individual, the spouse of such Permitted Transferee shall execute Schedule C hereto consenting to the terms of this Agreement.

(b) The Company shall not be required to recognize any Transfer of Units until the instrument conveying such Units, in substantially the form and substance set forth on Exhibit C, has been delivered to the Company at its principal office for recordation on the books of the Company and the transferring Member or Permitted Transferee has paid all costs and expenses of the Company in connection with such Transfer. The Company shall be entitled to treat the record owner of any Units as the absolute owner thereof in all respects, and shall incur no liability for distributions of cash or other property made in good faith to such owner until such time as the instrument conveying such Units, in form and substance reasonably satisfactory to the Company, has been received and accepted by the Company and recorded on the books of the Company.

(c) Notwithstanding anything to the contrary contained in this Agreement, no Transfer of Units by a Member shall be made without prior unanimous approval thereof by the Board if the Company is advised by its counsel that such assignment (i) may not be effected without registration under the Securities Act, (ii) would result in the violation of any applicable state securities laws, (iii) would require the Company to register as an investment company under the Investment Company Act of 1940, as amended, or modify the exemption from such registration upon which the Company has chosen to rely, (iv) would require the Company to register as an investment adviser under state or federal securities laws, (v) would result in a termination of the Company under Section 708 of the Code or (vi) would result in the treatment of the Company as an association taxable as a corporation or as a "publicly-traded limited partnership" for tax purposes.

(d) Notwithstanding anything in this Agreement to the contrary, no Transfer of Units shall be made without the prior written unanimous consent of the Board while a Cuattro 12-Month Call Option, Cuattro 18-Month Call Option, Heska 12-Month Put Option, or Heska 18-Month Put Option is exercisable.

9.03. Additional Members. Any Permitted Transferee acquiring one or more Units from the Company or from another Member in accordance with this Agreement shall, unless the acquiring Permitted Transferee is an existing Member immediately prior to such acquisition, be deemed to have been admitted to the Company as a Member, automatically and with no further action being necessary by the Board, the Members or any other Person, by virtue of, and upon the consummation of, such acquisition of Units and compliance with Section 9.02.

9.04. Unit Register. In connection with any Transfer of Units made in accordance with this Article IX, the Unit Register shall be amended to reflect such Transfer (and, to the extent necessary, the admission of each additional Member (if any) to the Company), and any such amendment may be effected by any one or more Officers without any vote, consent, approval or other action of the Board or the Members.

9.05. Put / Call Options.

(a) Member Representative. For the purposes of this Section 9.05, the Continuing Members hereby appoint, as of the date of this Agreement with retroactive effect if necessary, Cuattro, as the representative of the Continuing Members as described in this Section 9.05(a) and elsewhere in this Agreement (in such capacity, the "Member Representative"). The Member Representative is designated as the attorney-in-fact and agent for and on behalf of each Continuing Member and their respective heirs, successors and assigns with respect to the rights and obligations under this Section 9.05 and the taking by the Member Representative of any and all actions and the making of any decisions required or permitted to be taken by the Member Representative under this Section 9.05. The Member Representative shall have no authority or power to act on behalf of the Company. The Member Representative shall have authority and power to act on behalf of the Continuing Members with respect to the exercise or performance of all rights or obligations arising under this Section 9.05. The Continuing Members shall be bound by all actions taken and documents executed by the Member Representative in connection with this Section 9.05, and Heska and the Company shall be entitled to rely on any action or decision of the Member Representative. Without limiting the generality of the foregoing, the Member Representative shall have full power and authority to interpret all the terms and provisions of this Agreement on behalf of all the Continuing Members and their respective heirs, successors and assigns.

The Continuing Members hereby appoint and constitute the Member Representative the true and lawful attorney-in-fact of the Continuing Members, with full power in their name and on their behalf to act according to the terms of this Agreement to do all things and to perform all acts including exercising any right or performing any obligation under this Section 9.05 and execute and deliver any agreements, certificates, receipts, instructions, notices or instruments contemplated by or deemed advisable in connection with this Agreement. This power of attorney is coupled with an interest and all authority hereby conferred is granted and shall be irrevocable and shall not be terminated or affected by subsequent disability or incapacity of any Continuing Member or by any act of any Continuing Member or by operation of law, whether by such person's death, disability, protective supervision or any other event. Without limiting the foregoing, this power of attorney is to ensure the performance of a special obligation and, accordingly, each Continuing Member shall be deemed to have waived and renounced its, his or her right to renounce this power of attorney unilaterally. Each Continuing Member shall be deemed to have waived any and all defenses that may be available to contest, negate or disaffirm the action of the Member Representative taken in good faith under this Agreement. Notwithstanding the power of attorney granted in this Section 9.05, no agreement, instrument, acknowledgement or other act or document shall be ineffective (against the Continuing Member signing such instrument) solely by reason of a Continuing Member (instead of the Member Representative) having signed or given the same directly.

The provisions of this Section 9.05(a) shall in no way impose any obligations on Heska or the Company. In particular, Heska and the Company shall be fully protected in relying upon and shall be entitled to rely upon, and shall have no liability to any of the Continuing Members with respect to actions, decisions or determinations of the Member Representative. Heska and the Company shall be entitled to assume that all actions, decisions and determinations of the Member Representative are fully authorized.

At any time during the term of this Agreement, a majority-in-interest of the Continuing Members may, by written consent, remove and replace the Member Representative. The newly appointed Member Representative shall deliver notice of his or her appointment and copies of such consents to the Company and Heska as soon as practicable. Such appointment will be effective upon the later of the date indicated in the consent or the date such notice is received by the Company and Heska. In the event that the Member Representative dissolves, resigns as such or becomes unable or unwilling to continue in its capacity as Member Representative, a majority-in-interest of the Continuing Members shall, by written consent, appoint a new Member Representative. The newly appointed Member Representative shall deliver notice of his or her appointment to the Company and Heska as soon as practicable. Such appointment will be effective upon the later of the date indicated in the consent or the date such notice is received by the Company and Heska.

(b) Cuattro 12-Month Call Option. Commencing on the date hereof and ending on the 12-month anniversary of the date hereof (the "Cuattro 12-Month Call Period"), the Member Representative, shall have the right, but not the obligation, to cause Heska to sell to the Founder or the Founder's designee(s) all, but not less than all, of the Units owned by Heska, subject to the provisions of this Section 9.05(b) (the "Cuattro 12-Month Call Option").

(i) If the Member Representative desires to exercise the Cuattro 12-Month Call Option, it shall give written notice thereof to Heska at any time during the Cuattro 12-Month Call Period (the "Cuattro 12-Month Call Notice"), which shall form a legally valid and binding contract between the Founder or the Founder's designee(s) and Heska for the purchase and sale of all Units owned by Heska as of the date of the closing of the Cuattro 12-Month Call Option (the "Cuattro 12-Month Call Units") on the terms and conditions hereof. The Cuattro 12-Month Call Notice shall specify (A) the date thereof, (B) a calculation of the Cuattro 12-Month Call Unit Price, (C) the allocation, as determined in the reasonable discretion of the Member Representative, of the portion of the Cuattro 12-Month Call Unit Price to be payable in cash and the portion to be payable in Heska Common Stock, and (D) the Person(s) purchasing the Units.

(ii) Pursuant to the Cuattro 12-Month Call Option, Heska shall sell and the Founder or the Founder's designee(s) shall purchase the Cuattro 12-Month Call Units at a price per Unit equal to the Purchase Agreement Price, multiplied by 1.30 (the "Cuattro 12-Month Call Unit Price"). The Cuattro 12-Month Call Unit Price shall be payable to Heska in any combination of cash (in immediately available funds) and Heska Common Stock (subject to the Heska Common Stock Conditions), in the proportions specified in the Cuattro 12-Month Call Notice.

(iii) The Member Representative and Heska shall take or cause to be taken all actions reasonably necessary or advisable to close the purchase and sale of the Cuattro 12-Month Call Units, and Cuattro 12-Month Call Unit Price shall be paid and delivered by the Member Representative to Heska, no later than 120 days after the date of the Cuattro 12-Month Call Notice.

(c) Cuattro 18-Month Call Option. Commencing on the date immediately following the expiration of the Cuattro 12-Month Call Period and ending on the 18-month anniversary of the date hereof (the "Cuattro 18-Month Call Period"), the Member Representative shall have the right, but not the obligation, to cause Heska to sell to the Founder or the Founder's designee(s), all, but not less than all, of the Units owned by Heska, subject to the provisions of this Section 9.05(c) (the "Cuattro 18-Month Call Option").

(i) If the Member Representative desires to exercise the Cuattro 18-Month Call Option, it shall give written notice thereof to Heska at any time during the Cuattro 18-Month Call Period (the "Cuattro 18-Month Call Notice"), which shall form a legally valid and binding contract between the Founder or the Founder's designee(s) and Heska for the purchase and sale of all Units owned by Heska as of the date of the closing of the Cuattro 18-Month Call Option (the "Cuattro 18-Month Call Units") on the terms and conditions hereof. The Cuattro 18-Month Call Notice shall specify (A) the date thereof, (B) a calculation of the Cuattro 18-Month Call Unit Price, (C) the allocation, as determined in the reasonable discretion of the Member Representative, of the portion of the Cuattro 18-Month Call Unit Price to be payable in cash and the portion to be payable in Heska Common Stock, and (D) the Person(s) purchasing the Units.

(ii) Pursuant to the Cuattro 18-Month Call Option, Heska shall sell and the Founder or the Founder's designee(s) shall purchase the Cuattro 18-Month Call Units at a price per Unit equal to the Purchase Agreement Price, multiplied by 1.45 (the "Cuattro 18-Month Call Unit Price"). The Cuattro 18-Month Call Unit Price shall be payable to Heska in any combination of cash (in immediately available funds) and Heska Common Stock (subject to the Heska Common Stock Conditions), in the proportions specified in the Cuattro 18-Month Call Notice.

(iii) The Member Representative and Heska shall take or cause to be taken all actions reasonably necessary or advisable to close the purchase and sale of the Cuattro 18-Month Call Units, and Cuattro 18-Month Call Unit Price shall be paid and delivered by the Member Representative to Heska, no later than 120 days after the date of the Cuattro 18-Month Call Notice.

(iv) If, for the fiscal year ended December 31, 2013, Operating Revenue is less than $11.25 million or Operating Income is less than $637,500 (as reflected in the corresponding Audit Report), then the Cuattro 18-Month Call Option shall be deemed to have expired as of December 31, 2013 and any exercise of the Cuattro 18-Month Call Option after December 31, 2013 shall be null and void.

(d) Heska 12-Month Put Option. Commencing on the date hereof and ending on the 12-month anniversary of the date hereof (the "Heska 12-Month Put Period"), Heska shall have the right, but not the obligation, to sell to the Founder or the Founder's designee(s) all, but not less than all, of the Units owned by Heska, subject to the provisions of this Section 9.05(d) (the "Heska 12-Month Put Option").

(i) If Heska desires to exercise the Heska 12-Month Put Option, it shall give written notice thereof to the Member Representative at any time during the Heska 12-Month Put Period (the "Heska 12-Month Put Notice"), which shall form a legally valid and binding contract between the Founder or the Founder's designee(s), who shall be identified by the Member Representative to Heska in writing no later than 5 days after the date of the Heska 12-Month Put Notice, and Heska for the purchase and sale of all Units owned by Heska as of the date of the closing of the Heska 12-Month Put Option (the "Heska 12-Month Put Units") on the terms and conditions hereof. The Heska 12-Month Put Notice shall specify (A) the date thereof and (B) a calculation of the Heska 12-Month Put Unit Price.

(ii) Pursuant to the Heska 12-Month Put Option, Heska shall sell and the Founder or the Founder's designee(s) shall purchase the Heska 12-Month Put Units at a price per Unit equal to the Purchase Agreement Price, multiplied by 0.70 (the "Heska 12-Month Put Unit Price"). The Heska 12-Month Put Unit Price shall be payable to Heska in any combination of cash (in immediately available funds) and Heska Common Stock (subject to the Heska Common Stock Conditions).

(iii) The Member Representative and Heska shall take or cause to be taken all actions reasonably necessary or advisable to close the purchase and sale of the Heska 12-Month Put Units, and Heska 12-Month Put Unit Price shall be paid and delivered by the Founder or the Founder's designee(s) to Heska, no later than 120 days after the date of the Heska 12-Month Put Notice.

(iv) Notwithstanding any provision hereof to the contrary; however, if during the period commencing on the date of exercise of the Heska 12-Month Put Option and ending on the 1-year anniversary of the exercise of the Heska 12-Month Put Option, Heska enters into a Change in Control Agreement (which is subsequently consummated) or consummates a Heska Change in Control otherwise than pursuant to a Change in Control Agreement, then the Continuing Members shall be entitled, ratably, to a payment from Heska in cash, in immediately available funds, on or before the 120th day after such consummation of a Heska Change in Control, equal to (A) the Cuattro Control Put Price, as determined under Section 9.05(h) as if the Cuattro Control Put Option was properly exercised immediately prior to the exercise of the Heska 12-Month Put Option, minus (B) the aggregate of the Heska 12-Month Put Unit Price previously paid to Heska pursuant to the Heska 12-Month Put Option.

(e) Heska 18-Month Put Option. Commencing on the date immediately following the expiration of the Heska 12-Month Put Period and ending on the 18-month anniversary of the date hereof (the "Heska 18-Month Put Period"), Heska shall have the right, but not the obligation, to sell to the Founder or the Founder's designee(s), all, but not less than all, of the Units owned by Heska, subject to the provisions of this Section 9.05(e) (the "Heska 18-Month Put Option").

(i) If Heska desires to exercise the Heska 18-Month Put Option, it shall give written notice thereof to the Member Representative at any time during the Heska 18-Month Put Period (the "Heska 18-Month Put Notice"), which shall form a legally valid and binding contract between the Founder or the Founder's designee(s), who shall be identified by the Member Representative to Heska in writing no later than 5 days after the date of the Heska 18-Month Put Notice, and Heska for the purchase and sale of all Units owned by Heska as of the date of the closing of the Heska 18-Month Put Option (the "Heska 18-Month Put Units") on the terms and conditions hereof. The Heska 18-Month Put Notice shall specify (A) the date thereof and (B) a calculation of the Heska 18-Month Put Unit Price.

(ii) Pursuant to the Heska 18-Month Put Option, Heska shall sell and the Founder or the Founder's designee(s) shall purchase the Heska 18-Month Put Units at a price per Unit equal to the Purchase Agreement Price, multiplied by 0.55 (the "Heska 18-Month Put Unit Price"). The Heska 18-Month Put Unit Price shall be payable to Heska in any combination of cash (in immediately available funds) and Heska Common Stock (subject to the Heska Common Stock Conditions).

(iii) The Member Representative and Heska shall take or cause to be taken all actions reasonably necessary or advisable to close the purchase and sale of the Heska 18-Month Put Units, and Heska 18-Month Put Unit Price shall be paid and delivered by the Founder or the Founder's designee(s) to Heska, no later than 120 days after the date of the Heska 18-Month Put Notice.

(iv) Notwithstanding any provision hereof to the contrary; however, if during the period commencing on the date of exercise of the Heska 18-Month Put Option and ending on the 1-year anniversary of the exercise of the Heska 18-Month Put Option, Heska enters into a Change in Control Agreement (which is subsequently consummated) or consummates a Heska Change in Control otherwise than pursuant to a Change in Control Agreement, then the Continuing Members shall be entitled, ratably, to a payment from Heska in cash, in immediately available funds, on or before the 120th day after such consummation of a Heska Change in Control, equal to (A) the Cuattro Control Put Price, as determined under Section 9.05(h) as if the Cuattro Control Put Option was properly exercised immediately prior to the exercise of the Heska 18-Month Put Option, minus (B) the aggregate of the Heska 18-Month Put Unit Price previously paid to Heska pursuant to the Heska 18-Month Put Option.

(f) Cuattro Performance Put Option. Commencing on the date the Company delivers to the Member Representative the Audit Report for each of the fiscal years ended December 31, 2015, December 31, 2016 and December 31, 2017, respectively (each, as applicable, a "Performance Year"), and ending on the date that is 90 days thereafter (each, a "Cuattro Performance Put Period"), if such Audit Report provides that a Performance Condition A exists for such Performance Year, then the Member Representative shall have the right, but not the obligation, to sell to Heska all, or any part thereof, of the Units owned by the Continuing Members, subject to the provisions of this Section 9.05(f) (the "Cuattro Performance Put Option").

(i) If the Member Representative desires to exercise the Cuattro Performance Put Option, it shall give written notice thereof to Heska at any time during a Cuattro Performance Put Period (the "Cuattro Performance Put Notice"). The Cuattro Performance Put Notice shall specify (A) the date thereof, (B) the total number of Units to be purchased by Heska (the "Cuattro Performance Put Units"), (C) each Continuing Member's total number of Units to be purchased by Heska, and (D) a calculation of the Cuattro Performance Put Price. The Cuattro Performance Put Notice shall form a legally valid and binding contract between each of the Continuing Members identified therein and Heska for the purchase and sale of the Cuattro Performance Put Units identified for sale by each of the Continuing Members, on the terms and conditions hereof.

(ii) Pursuant to the Cuattro Performance Put Option and Cuattro Performance Put Notice, Heska shall purchase the Cuattro Performance Put Units for an aggregate purchase price (the "Cuattro Performance Put Price") equal to the Option Price, multiplied by the Put Percentage; provided, that upon exercise of the Cuattro Performance Put Option with respect to all, but not less than all, of the Units owned by the Continuing Members, the Cuattro Performance Put Price shall be increased by an amount equal to 25% of the Company's Cash on Hand at the end of the corresponding Performance Year (as reflected in the Audit Report), multiplied by the Put Percentage.

(iii) The Cuattro Performance Put Price shall be payable to the Continuing Members, in Heska's sole and absolute discretion, in either (y) cash or, if the Share Delivery Price is equal to or greater than NASDAQ Official Close Price of Heska Common Stock at the Agreement Date, (z) cash and shares of Heska Common Stock; provided, that: (A) no more than 55% of the Cuattro Performance Put Price shall be comprised of Heska Common Stock; (B) the number of shares of Heska Common Stock to be paid shall not exceed the number of shares of Heska Common Stock that Heska may issue without stockholder approval pursuant to (1) federal securities laws and the rules and regulations promulgated thereunder, or (2) applicable listing and corporate governance rules and regulations of The Nasdaq Stock Market, and (C) for the purpose of calculating the number of Heska Common Stock shares to be paid to the Continuing Members, the value of each share of Heska Common Stock shall be the Share Delivery Price.

(iv) The Member Representative and Heska shall take or cause to be taken all actions reasonably necessary or advisable to close the purchase and sale of the Cuattro Performance Put Units, and Cuattro Performance Put Price shall be paid and delivered by Heska to the Continuing Members, no later than 120 days after the date of the Cuattro Performance Put Notice.

(g) Heska Performance Call Option. Commencing on the date immediately after the expiration of a Cuattro Performance Put Period, and ending on the date that is 90 days thereafter (each, a "Heska Performance Call Period"), (y) if the Audit Report for the corresponding Performance Year finds that a Performance Condition B exists for such Performance Year, and (z) the Member Representative has not exercised a Cuattro Performance Put Option causing Heska to purchase all, but not less than all, of the Units owned by the Continuing Members, then Heska shall have the right, but not the obligation, to purchase from the Continuing Members all, but not less than all, of the Units owned by the Continuing Members (the "Heska Performance Call Units"), of each ratably in proportion to the Continuing Member Percentage, subject to the provisions of this Section 9.05(g) (the "Heska Performance Call Option").

(i) If Heska desires to exercise the Heska Performance Call Option, it shall give written notice thereof to the Member Representative at any time during the Heska Performance Call Period (the "Heska Performance Call Notice"). The Heska Performance Call Notice shall specify (A) the date thereof and (B) a calculation of the Heska Performance Call Price. The Heska Performance Call Notice shall form a legally valid and binding contract between each of the Continuing Members and Heska for the purchase and sale of the Heska Performance Call Units on the terms and conditions hereof.

(ii) Pursuant to the Heska Performance Call Option, Heska shall purchase all of the Heska Performance Call Units for an aggregate purchase price (the "Heska Performance Call Price") equal to the Option Price multiplied by 1.15; plus an amount equal to 25% of the Company's Cash on Hand at the end of the corresponding Performance Year (as reflected in the Audit Report).

(iii) The Heska Performance Call Price shall be payable to the Continuing Members, in Heska's sole and absolute discretion, in either (y) cash or, if the Share Delivery Price is equal to or greater than NASDAQ Official Close Price of Heska Common Stock at the Agreement Date, (z) cash and shares of Heska Common Stock; provided, that: (A) no more than 55% of the Heska Performance Call Price shall be comprised of Heska Common Stock; (B) the number of shares of Heska Common Stock to be paid shall not exceed the number of shares of Heska Common Stock that Heska may issue without stockholder approval pursuant to (1) federal securities laws and the rules and regulations promulgated thereunder, or (2) applicable listing and corporate governance rules and regulations of The Nasdaq Stock Market, and (C) for the purpose of calculating the number of Heska Common Stock shares to be paid to the Continuing Members, the value of each share of Heska Common Stock shall be the Share Delivery Price.

(iv) The Member Representative and Heska shall take or cause to be taken all actions reasonably necessary or advisable to close the purchase and sale of the Heska Performance Call Units, and Heska Performance Call Price shall be paid and delivered by Heska to the Continuing Members, no later than 120 days after the date of the Heska Performance Call Notice.

(h) Cuattro Control Put Option. Upon the earlier of (x) entering into any definitive agreement to effect a Heska Change in Control (a "Change in Control Agreement"), or (y) consummation of any Heska Change in Control otherwise than pursuant to a Change in Control Agreement, Heska shall provide written notice thereof to the Member Representative (the "Heska Control Put Notice"). Commencing on the date of the Heska Control Put Notice and ending on the date that is 30 days thereafter (the "Cuattro Control Put Period"), the Member Representative shall have the right, but not the obligation, to sell to Heska all, but not less than all, of the Units owned by the Continuing Members (the "Cuattro Control Put Units"), ratably in proportion to the Continuing Member Percentage, subject to the provisions of this Section 9.05(h) (the "Cuattro Control Put Option").

(i) If the Member Representative desires to exercise the Cuattro Control Put Option, it shall give written notice thereof to Heska at any time during the Cuattro Performance Put Period (the "Cuattro Control Put Notice"). The Cuattro Control Put Notice shall specify (A) the date thereof, (B) each Continuing Member's pro rata portion of the total number of Units to be purchased by Heska, and (C) a calculation of the Cuattro Control Put Price. The Cuattro Control Put Notice shall form a legally valid and binding contract between each of the Continuing Members and Heska for the purchase and sale of the Cuattro Control Put Units on the terms and conditions hereof.

(ii) Pursuant to the Cuattro Control Put Option, Heska shall purchase the Cuattro Control Put Units for an aggregate purchase price equal to the Cuattro Control Put Price. The Cuattro Control Put Price shall be paid to the Continuing Members in cash in immediately available funds.

(iii) The Cuattro Control Put Price shall be paid to the Continuing Members no later than the consummation of a Heska Change in Control pursuant to a Change in Control Agreement or 30 days after consummation of a Heska Change in Control otherwise than pursuant to a Change in Control Agreement; provided, however, that if a Heska Change in Control contemplated by a Change in Control Agreement does not occur, then the corresponding Cuattro Control Put Option shall terminate and any prior exercise thereof shall be null and void.

(i) Disputable Amounts. The provisions set forth in this Section 9.05(i) shall apply for purposes of determining any of the following amounts pursuant to this Section 9.05: the Cuattro 12-Month Call Unit Price, the Cuattro 18-Month Call Unit Price, the Heska 12-Month Put Unit Price, the Heska 18-Month Put Unit Price, the Cuattro Performance Put Price, the Heska Performance Call Price, and the Cuattro Control Put Price (collectively, the "Disputable Amounts").

(i) The party exercising any right to sell or purchase Units pursuant to this Section 9.05 (the "Exercising Party"), shall prepare, in good faith, the calculation of any Disputable Amount and provide such amount and describe in reasonably necessary detail the calculation of such amount in the applicable notice announcing the Exercising Party's exercise of its right to sell or purchase Units (the "Notice Calculation").

(ii) If the non-Exercising Party disagrees with or questions any aspect of a Notice Calculation, the non-Exercising Party may, within 30 days after delivery of such Notice Calculation, deliver a notice to the Exercising Party disagreeing with or questioning such calculation and setting forth the non-Exercising Party's calculation of the applicable Disputable Amount. Any such notice shall specify those items or amounts as to which the non-Exercising Party disagrees or questions.

(iii) If a notice of disagreement shall be duly delivered, the Exercising Party and the non-Exercising Party shall, during 15 days following such delivery, use their commercially reasonable efforts to reach agreement on the disputed or questioned items or amounts in order to determine the applicable Disputable Amount. If the Exercising Party and the non-Exercising Party so resolve all disputes, the computation of the applicable Disputable Amount, as amended to the extent necessary to reflect the resolution of the disputes, shall be conclusive and binding on the Exercising Party and the non-Exercising Party.

(iv) If the Exercising Party and the non-Exercising Party are unable to reach an agreement on the applicable Disputable Amount during the 15 days following the delivery of the non-Exercising Party's notice of disagreement, the Exercising Party and the non-Exercising Party shall promptly thereafter cause a mutually agreeable arbitrator with financial experience and background (the "Reviewing Arbitrator") to review this Agreement and the disputed items or amounts for the purposes of calculating the applicable Disputable Amount (it being understood that in making such calculation, the Reviewing Arbitrator shall be functioning as an expert and not as an arbitrator). In the event that the Exercising Party and the non-Exercising Party are unable to mutually agree on the Reviewing Arbitrator, each of the Exercising Party and the non-Exercising Party shall select the person they propose to be the Reviewing Arbitrator, and the two selections shall mutually agree on a third person meeting such qualifications, with no existing relationship to the Exercising Party, the Company or the non-Exercising Party, to serve as the sole Reviewing Arbitrator. In calculating the applicable Disputable Amount, the Reviewing Arbitrator shall consider only those items or amounts in the Notice Calculation and the non-Exercising Party's calculation of the applicable Disputable Amount as to which the Exercising Party has disagreed. The Reviewing Arbitrator shall deliver to the Exercising Party and the non-Exercising Party, as promptly as practicable (but in any case no later than 45 days from the date of engagement of the Reviewing Arbitrator), a report setting forth its calculation of the applicable Disputable Amount, which amount shall not be less than the lowest amount shown in either the Exercising Party's or non-Exercising Party's calculations nor more than the highest amount shown in the either the Exercising Party's or non-Exercising Party's calculations. Such report shall be final and binding upon the Exercising Party, non-Exercising Party, the Members and the Company. The fees, costs and expenses of the Reviewing Arbitrator's review and report shall be allocated to and borne by the Exercising Party and the non-Exercising Party based on the inverse of the percentage that the Reviewing Arbitrator's determination (before such allocation) bears to the total amount of the total items in dispute as originally submitted to the Reviewing Arbitrator. For example, should the items in dispute total $1,000 and the Reviewing Arbitrator awards $600 in favor of the Exercising Party, 60% of the costs of the Reviewing Arbitrator's review would be borne by non-Exercising Party and 40% of the costs would be borne by the Exercising Party.

(v) The Company, the Exercising Party and the non-Exercising Party shall, and shall cause their respective representatives to, cooperate and assist in the calculation of the applicable Disputable Amount and in the conduct of the determination and review described in this Section 9.05(i), including the making available to the extent necessary of books, records, work papers and personnel.

(j) Notwithstanding anything to the contrary herein, the provisions of this Section 9.05 shall remain binding upon any assignee or future holders of any Units owned by Heska or a Continuing Member as of the date of this Agreement and each such assignee or future holder of any portion of such Units specifically takes such Units subject to the terms of this Section 9.05.

(k) In connection with any transaction under this Section 9.05, the parties hereto shall cooperate in good faith, furnish such further information, execute and deliver such other documents, and do such other acts and things, all as may be reasonably requested for the purpose of carrying out the intent of this Section 9.05.

9.06. Board Actions. The Board shall not take any actions whose purpose is to intentionally minimize or hinder achievement of Performance Conditions A, B, C, or D.

9.07. Ordinary Course of Business Operations. None of the Members, nor any Manager, shall cause the Company to operate its business in any manner other than the ordinary course of business and without limiting the foregoing, none of the Members, nor any Manager, shall take any action outside the ordinary course of business with the intent to manipulate in bad faith the Company's Operating Revenue or Operating Income, including accelerating the collection of receivables or delaying the payment of payables or any similar action outside the ordinary course of business consistent with past practice as of the date hereof.

9.08. Corporate Expenses. Any corporate expenses or services allocated or provided to the Company by Heska following the date hereof will be charged to the Company at Heska's cost and will be included for purposes of calculating the Company's Operating Revenue and Operating Income; provided, however, that Heska will not charge the Company for any corporate expenses Heska incurs as a result of compliance with the U.S. Securities and Exchange Commission, The Nasdaq Stock Market or other regulatory requirements specific to public companies. Company shall have the option to reject services and the expenses associated therewith for any such service which it provides for itself, can provide for itself, or it can have provided by another Person at a lesser cost.

9.09. Allocation. With respect to transactions resulting from business relationships jointly facilitated by Heska and the Company, the Company's Operating Revenue or Operating Income arising from such transactions shall be allocated consistently with the accounting principles set forth in Emerging Issues Task Force Issue Number 00-21 "Accounting for Revenue Arrangements with Multiple Deliverables," including, without limitation, vendor specific objective evidence.

9.10. Cuattro Right to Purchase Employee Member's Equity. With respect to any Member who is also at any time an employee of Heska or the Company or their Affiliates (except the Founder, to whom this Section 9.10 shall not apply), during the period beginning on the date such Member's employment is terminated on any basis by either such Member, the Company or Heska, as applicable, and ending on the date 180 days following such termination of employment (the "Cuattro Purchase Right Period"), Cuattro or its assignee shall have the right, but not the obligation, to purchase all, or any part thereof, of the Units held by such Member on the terms and conditions of this Section 9.10 (collectively, the "Cuattro Purchase Right").

The Cuattro Purchase Right shall be exercised by written notice (the "Cuattro Purchase Right Notice") to such Member given on or prior to the last day of the Cuattro Purchase Right Period.

The purchase price payable for the Units by Cuattro or its assignee upon exercise of the Cuattro Purchase Right (the "Cuattro Purchase Right Price") shall be the fair market value, as determined by the Board in good faith (which determination shall be final and binding on all Members), of the Units subject to the Cuattro Purchase Right on the date of the Cuattro Purchase Right Notice, less any applicable withholding taxes.

The purchase of Units pursuant to the exercise of a Cuattro Purchase Right shall take place on a date specified by Cuattro (or its assignee, if applicable), but in no event later than 60 days following the date of the exercise of such Cuattro Purchase Right or, if later, within 10 days following the receipt by the Company and Cuattro (or its assignee, if applicable) of all necessary governmental approvals. On such date, such Member shall transfer the Units subject to the Cuattro Purchase Right Notice to Cuattro (or its assignee, if applicable), free and clear of all liens and encumbrances, by delivering to Cuattro (or its assignee, if applicable) an instrument of conveyance reasonably acceptable to Cuattro (or its assignee, if applicable), and Cuattro (or its assignee, if applicable) shall pay to such member in cash an amount equal to 15% of the Cuattro Purchase Right Price. The balance of the Cuattro Purchase Right Price shall be represented by a promissory note bearing interest at the minimum rate required under the Code to avoid the imputation of interest on the unpaid principal balance of the note. The principal amount of the note shall be payable in 5 equal annual installments plus interest on the unpaid principal balance outstanding.

If Cuattro or its assignee does not exercise the Cuattro Purchase Right to purchase all of the Units held by such Member within the Cuattro Purchase Right Period, then Heska or its assignee shall have the right to purchase all, or any part thereof, of the Units held by such Member on the same terms and conditions of the Cuattro Purchase Right pursuant to this Section 9.10 (the "Heska Purchase Right"). The Heska Purchase Right shall commence on the date immediately following the end of the Cuattro Purchase Right Period and shall end on the 60-day anniversary of such date.

9.11. Spouses Bound by this Agreement. Each Member who is a married individual as of the Agreement Date shall cause his or her spouse to execute Schedule C hereto consenting to the terms of this Agreement. If an unmarried Member should marry during the term of this Agreement, such Member shall obtain the consent, in the form of Schedule C hereto, of his or her spouse to the terms of this Agreement within 30 days of the date of the marriage. Failure to timely obtain any such consent shall constitute a material breach of this Agreement and, in addition to any other rights and remedies available to the Company, shall entitle, but not require, the Founder or the Founder's designee to purchase all, or any part thereof, of the Units owned by such Member by written notice to such Member. If the Founder or the Founder's designee does not exercise its right the purchase all of the Units owned by such Member within 30 days of the commencement of its right, then the Company or its designee shall have the right to purchase all, or any part thereof, of the Units owned by such Member by written notice to such Member. The purchase price payable for the Units acquired or purchased pursuant to this Section 9.11 shall be the fair market value on the date such notice is given, determined in good faith by the Board, which determination shall be final and binding on all Members. The purchase and sale shall be consummated on the date specified by the purchaser (for the purposes of this Section 9.11, the "Closing Date") which date shall not be sooner than 15 days nor later than 60 days after the date of such notice. On the Closing Date, the purchaser shall pay in cash an amount equal to 15% of the purchase price. The balance of the purchase price shall be represented by a promissory note bearing interest at the minimum rate required under the Code to avoid the imputation of interest on the unpaid principal balance of the note. The principal amount of the note shall be payable in 5 equal annual installments plus interest on the unpaid principal balance outstanding.

ARTICLE X

DISSOLUTION AND LIQUIDATION

10.01. Events Causing Dissolution. The Company shall be dissolved and its affairs wound up solely upon:

(a) Subject to Section 7.02, the election to dissolve the Company made in writing by all the Members; or

(b) A decree of judicial dissolution pursuant to Section 18-802 of the Act.

For the avoidance of doubt, the Company shall not be dissolved upon the death, bankruptcy or dissolution of any Member or the occurrence of any other event that terminates the continued membership of any Member under the Act, and no Member shall have any right or power to cause dissolution of the Company by reason of the occurrence of any such event.

10.02. Procedures on Dissolution. Dissolution of the Company shall be effective on the day on which the event giving rise to the dissolution occurs, but the existence of the Company shall not terminate until the Certificate shall have been cancelled and the assets of the Company shall have been distributed as provided herein. Upon dissolution, the Manager(s) or, if there be none, a liquidator appointed with the consent of all the Members, shall liquidate the assets of the Company, apply and distribute the proceeds thereof as contemplated by this Agreement and cause the cancellation of the Certificate.

10.03. Distributions Upon Liquidation.

(a) After payment of liabilities owing to creditors, the Board or such liquidator shall set up such reserves as may be required by non-waivable provisions of the Act or as it otherwise deems reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company. Said reserves may be paid over by the Board or such liquidator to a bank, to be held in escrow for the purpose of complying with any such provisions of the Act or paying any such contingent or unforeseen liabilities or obligations and, at the expiration of such period as may be required by non-waivable provisions of the Act or the Board or such liquidator may deem advisable, such reserves shall be distributed to the Members or their assigns in the manner set forth in Section 10.03(b).

(b) After paying such liabilities and providing for such reserves, the Board or liquidator shall cause the remaining net assets of the Company to be distributed to and among the Members with positive Capital Account balances (after such balances have been adjusted pursuant to Article VI to reflect all debits and credits required by applicable Treasury Regulations under Section 704(b) of the Code for all events through and including the distribution in liquidation of the Company) in proportion to, and to the extent of, such positive balances.

(c) In the event that any part of the Company's net assets to be distributed pursuant to this Section 10.03 consists of notes or accounts receivable or other noncash assets, the Board or such liquidator may take whatever steps it deems appropriate to convert such assets into cash or into any other form which would facilitate the distribution thereof. If any assets of the Company are to be distributed in kind, such assets shall be distributed on the basis of their fair market value net of any liabilities.

ARTICLE XI

GENERAL PROVISIONS

11.01. Notices. Except for notices of meetings of the Managers, notice of which shall be given as provided in Section 7.03(l), all notices and other communications hereunder shall be in writing and shall be deemed duly given (i) four business days after being sent by registered or certified mail, return receipt requested, postage prepaid, (ii) one business day after being sent for next business day delivery, fees prepaid, via a reputable nationwide overnight courier service, or (iii) on the date of confirmation of receipt of transmission by facsimile, in each case to the intended recipient as set forth below:

If to the Founder, to him at:

Kevin S. Wilson

Mail:
PO Box 4605
Edwards, CO 81632

Physical:
851 Elkhorn
Bachelor Gulch, Avon, CO 81620

With a required copy to:

Stradling Yocca Carlson & Rauth
660 Newport Center
Suite 1600
Newport Beach, CA 92660
Facsimile: 949.725.4000
Attention: R.C. Shepard, Esq.

If to Cuattro, LLC, to it at:

Cuattro, LLC

Mail:
PO Box 4605
Edwards, CO 81632

Physical:
851 Elkhorn
Bachelor Gulch, Avon, CO 81620
Attention: Kevin S. Wilson

With a required copy to:

Stradling Yocca Carlson & Rauth
660 Newport Center
Suite 1600
Newport Beach, CA 92660
Facsimile: 949.725.4000
Attention: R.C. Shepard, Esq.

If to Shawna M. Wilson, to her at:

Shawna M. Wilson

Mail:
PO Box 4605
Edwards, CO 81632

Physical:
851 Elkhorn
Bachelor Gulch, Avon, CO 81620

With a required copy to:

Stradling Yocca Carlson & Rauth
660 Newport Center
Suite 1600
Newport Beach, CA 92660
Facsimile: 949.725.4000
Attention: R.C. Shepard, Esq.

If to Steve Asakowicz, to him at:

Steve Asakowicz
4309 Costa Espuma
San Clemente, CA 92673
Facsimile: 949-767-5967

With a required copy to:

Stradling Yocca Carlson & Rauth
660 Newport Center
Suite 1600
Newport Beach, CA 92660
Facsimile: 949.725.4000
Attention: R.C. Shepard, Esq.

If to Rod Lippincott, to him at:

Rod Lippincott
31801 Via Allegre
Trabuco Canyon, CA 92679
Facsimile: 760-683-6009

With a required copy to:

Stradling Yocca Carlson & Rauth
660 Newport Center
Suite 1600
Newport Beach, CA 92660
Facsimile: 949.725.4000
Attention: R.C. Shepard, Esq.

If to Clint Roth, DVM, to him at:

Clint Roth, DVM
6404 North 185th Ave.
Wadell, Arizona 85355
Facsimile: 240-358-1137

With a required copy to:

Stradling Yocca Carlson & Rauth
660 Newport Center
Suite 1600
Newport Beach, CA 92660
Facsimile: 949.725.4000
Attention: R.C. Shepard, Esq.

If to Heska, to it at:

Heska Corporation
3760 Rocky Mountain Avenue
Loveland, CO 80538
Facsimile: (970) 619-3003
Attention: Jason Napolitano

With a required copy to:

Osborn Maledon, P.A.
2929 North Central Avenue
Suite 2100
Phoenix, AZ 85012
Facsimile: (602) 640-9050
Attention: William M. Hardin, Esq.

Notices to the Company or an Officer shall be sent to the Company's principal office as set forth in the books and records of the Company (with copies to such Officers, employees, agents or representatives of the Company as the Company may designate from time to time to the Members and Managers). Notice to a Manager shall be to the last address of record in the Company's books.

11.02. Principles of Interpretation. In this Agreement, unless the context otherwise requires:

(a) words denoting the singular include the plural and vice versa;

(b) words denoting a gender include all genders;

(c) all exhibits, schedules and other attachments to the document in which the reference thereto is contained shall, unless the context otherwise requires, constitute an integral part of such document for all purposes;

(d) references to a particular part, clause, section, paragraph, article, exhibit, schedule or other attachment shall be a reference to a part, clause, section, paragraph, or article of, or an exhibit, schedule or other attachment to, the document in which the reference is contained;

(e) a reference to any statute, regulation, proclamation, amendment, ordinance or law includes all statutes, regulations, proclamations, amendments, ordinances or laws varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations, policies, protocols, codes, proclamations and ordinances issued or otherwise applicable under that statute unless, in any such case, otherwise expressly provided in any such statute or in the document in which the reference is contained;

(f) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time;

(g) a definition of or reference to any document, instrument or agreement includes an amendment or supplement to, or restatement, replacement, modification or novation of, any such document, instrument or agreement unless otherwise specified in such definition or in the context in which such reference is used;

(h) a reference to any Person includes such Person's successors and permitted assigns in that designated capacity;

(i) any reference to "days" means calendar days unless "business days" are expressly specified (in which case a "business day" means any day, other than a Saturday or a Sunday, on which banking institutions located in New York, New York are required or permitted by law to be open for the transaction of banking business);

(j) if the date as of which any right, option or election is exercisable, or the date on which any notice is required or permitted to be given, or the date upon which any amount is due and payable, is stated to be on a date or day that is not a business day, such right, option or election may be exercised, such notice may be given, and such amount shall be deemed due and payable, on the next succeeding business day with the same effect as if the same was exercised, given or made on such date or day (without, in the case of any such payment, the payment or accrual of any interest or other late payment or charge, provided such payment is made on such next succeeding business day);

(k) all references to "$", "Dollars" or "US $" refer to currency of the United States of America;

(l) unless otherwise expressly provided in this Agreement, wherever the consent of any Person is required or permitted herein, such consent may be withheld in such Person's sole and absolute discretion;

(m) words such as "hereunder", "hereto", "hereof" and "herein" and other words of similar import shall, unless the context requires otherwise, refer to the whole of the applicable document and not to any particular article, section, subsection, paragraph or clause thereof; and

(n) a reference to "including" (and grammatical variations thereof) means "including without limitation" (and grammatical variations thereof).

11.03. Binding Provisions. Subject to the restrictions on Transfers set forth and referenced herein, the covenants and agreements contained herein, and the rights and obligations of the parties hereunder, (i) shall be binding upon, and inure to the benefit of, the parties hereto, their heirs, legal representatives, successors and permitted assigns, and (ii) may not be assigned except in connection with, and to the extent relating to, a Transfer of one or more Units permitted hereunder.

11.04. Waivers. No waiver of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each party granting the waiver. No waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

11.05. Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, each of the Company, the Members, and the Managers agrees that the body making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

11.06. Expenses. Except as may be otherwise specifically provided to the contrary in this Agreement, each of the parties hereto shall bear its own costs and expenses (including legal and accounting fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. Notwithstanding the foregoing, the Founder, and not the Company, shall bear any costs and expenses (including legal and accounting fees and expenses) incurred by the Company in connection with this Agreement and the transactions contemplated hereby and the Company shall not bear any costs and expenses in connection with this Agreement and the transactions contemplated hereby.

11.07. Specific Performance. Each of the Company, the Members, and the Managers acknowledges and agrees that one or more of them would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each such Person agrees that each other such Person may be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court having jurisdiction over the Parties and the matter, in each case with no need to post bond or other security.

11.08. Governing Law; Submission to Jurisdiction. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of laws of any jurisdictions other than those of the State of Delaware. Each of the parties hereto (a) consents to submit itself to the exclusive personal jurisdiction of the District Courts of the 2nd Judicial District of the State of Colorado or, if that court does not have jurisdiction, a federal court sitting in Denver, Colorado in any action or proceeding arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that all claims in respect of such action or proceeding shall be heard and determined only in any such court, (c) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (d) agrees not to bring any action or proceeding arising out of or relating to this Agreement or any of the transaction contemplated by this Agreement in any other court. Each of the parties hereto waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety or other security that might be required of any other Person with respect thereto. Any party hereto may make service on another party hereto by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for the giving of notices in Section 11.01. Nothing in this Section 11.08, however, shall affect the right of any Person to serve legal process in any other manner permitted by law.

11.09. Section Titles. Article and Section titles are included herein for descriptive purposes only and shall not control or alter the meaning of this Agreement as set forth in the text.

11.10. Amendments.

(a) Except as specifically provided in this Agreement, this Agreement may be amended or modified only by a writing duly executed and delivered by all Members.

(b) If a transaction is consummated pursuant to the exercise of a right under Section 9.05, 9.10 or 9.11, this Agreement shall be deemed automatically amended such that the ratio of Heska Managers to all Managers is not less than the ratio of Units then held by Heska to all Units then outstanding. Upon the effective date of termination of employment with the Company or Heska of the Founder due to such Founder's disability or upon the death of a Founder, this Agreement shall be deemed automatically amended such that the ratio of Heska Managers to all Managers is not less than the ratio of Units then held by Heska to all Units then outstanding other than those Units that were held by such deceased or disabled Founder immediately prior to such death or disability. Promptly following the request by Heska the parties (and any Person holding the Units that were held by such deceased or disabled Founder immediately prior to such death or disability) shall execute an amendment to this Agreement evidencing the applicable automatic amendment contemplated by this Section 11.10(b).

(c) Any amendment, modification or repeal of Section 7.06 shall not adversely affect any right or protection with respect to the Manager or Officer or Affiliate thereof (or any successors or permitted assigns thereof) existing at the time of such amendment, modification or repeal with respect to actions or omissions occurring prior to such amendment, modification or repeal.

(d) Notwithstanding any other provision of this Agreement (including the foregoing provisions of this Section 11.10), the Board may amend or modify Article VI of this Agreement and related defined terms if it is advised at any time by its legal counsel that the allocations of Net Profits and Net Losses and similar items provided for in Article VI are unlikely to be respected for federal income tax purposes, either because of the promulgation and adoption of Treasury Regulations under Code Section 704 or other developments in applicable law. In making any such amendment or modification, the Board shall use commercially reasonable efforts to effect as little change in the tax arrangements among the Members as the Board shall unanimously determine in its discretion to be necessary to provide for allocations of Net Profits and Net Losses and similar items to the Members which it believes will be respected for federal income tax purposes. No such amendment or modification shall give rise to any claim or cause of action by any Member.

(e) Notwithstanding any other provision of this Agreement, the Board may amend this Agreement to add a provision that will allow the Company to qualify under any Treasury Regulation, revenue procedure or other administrative pronouncement promulgated by the United States Treasury Department (including the Internal Revenue Service) (the "Liquidation Value Procedure") similar to that contained in Internal Revenue Service Notice 2005-43, 2005-24 I.R.B. 1, pursuant to which the Company may elect to determine the value of equity interests in the Company delivered to any Person in connection with services provided by such Person to the Company by reference to the amount the Person would receive if the Company sold all of its assets at their fair market values and liquidated. Such provision may (i) authorize and direct the Company to file any elections required by the Liquidation Value Procedure and (ii) require all Members to comply with the requirements of the Liquidation Value Procedure and will contain such other provisions as the Board may determine, after consultation with the Company's tax advisors, may be necessary to comply with the Liquidation Value Procedure. All Members agree to be bound by such amendment.

11.11. Third Party Beneficiaries. Except to the extent provided in any separate written agreement between the Company and another Person, the provisions of this Agreement are not intended to be for the benefit of any creditor or other Person (other than a Member or Manager in its capacity as such) to whom any debts, liabilities or obligations are owed by (or who otherwise has any claim against) the Company or any of the Members. Moreover, notwithstanding anything contained in this Agreement (but subject to the immediately following sentence), no such creditor or other Person shall obtain any rights under this Agreement or shall, by reason of this Agreement, make any claim in respect of any debt, liability or obligation (or otherwise) against the Company or any Member or Manager. Notwithstanding the foregoing provisions of this Section 11.11, each Indemnitee that is not a party to this Agreement shall be deemed to be an express third party beneficiary of this Agreement for all purposes relating to such Person's indemnification and exculpation rights hereunder, and Heska, so long as Heska shall own a majority of Units, shall be deemed to be an express third party beneficiary of the employment agreements between the Company and each of its employees, and all other contracts of the Company, which include, but shall not be limited to, the Supply Agreement by and between the Company and Cuattro, and the Amended and Restated License Agreement by and between the Company and Cuattro, for purposes of enforcing such agreements on behalf of the Company and/or Heska.

11.12. Entire Agreement. This Agreement and the Ancillary Documents embody the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings relating to such subject matter, including but not limited to the Prior Agreement. The Members and the Managers hereby agree that each Member and the Managers shall be entitled to rely on the provisions of this Agreement, and no Member or Manager shall be liable to the Company or any other Member or Manager for any action or refusal to act taken in good faith reliance on the terms of this Agreement.

11.13. Waiver of Partition. Each Member and Manager agrees that irreparable damage would be done to the Company if any Member or Manager brought an action in court to partition the assets or properties of the Company. Accordingly, each Member and Manager agrees that he or it shall not, either directly or indirectly, take any action to require partition or appraisal of the Company or of any of the assets or properties of the Company, and notwithstanding any provisions of this Agreement to the contrary, each Member and Manager (and his or its successors and assigns) accepts the provisions of the Agreement as his or its sole entitlement on termination, dissolution and/or liquidation of the Company and hereby irrevocably waives any and all right to maintain any action for partition or to compel any sale or other liquidation with respect to his or its interest, in or with respect to, any assets or properties of the Company. Each Member agrees that he or it will not petition a court for the dissolution, termination or liquidation of the Company.

11.14. Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

11.15. Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

11.16. Counterparts and Facsimile Signature. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Any counterpart may be delivered by facsimile transmission or by electronic communication in portable document format (.pdf) or tagged image format (.tif), and the parties agree that their electronically transmitted signatures shall have the same effect as manually transmitted signatures.

[Remainder of This Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Members have executed this Amended and Restated Operating Agreement as of the day and year first above written.

Heska Corporation

By: _____
Name: _____
Title: _____

_____
Kevin S. Wilson

Cuattro, LLC

By: _____
Name: _____
Title: _____

_____
Shawna M. Wilson

_____
Steve Asakowicz

_____
Rod Lippincott

_____
Clint Roth, DVM

[Signature Page to Amended and Restated Operating Agreement of Heska Imaging US, LLC]

SCHEDULE A

Officers

Name	Office
Robert B. Grieve, Ph.D.	Chief Executive Officer
Jason A. Napolitano	Chief Financial Officer
Kevin Wilson	President

[Schedule A to Amended and Restated Operating Agreement]

SCHEDULE B

Capital Accounts of Members as of Agreement Date

Member	Capital Account	Number of Units
Heska Corporation	7,644,000	1,067,293
Cuattro, LLC	$ 7,160	1,000
Kevin S. Wilson	$ 7,160	1,000
Shawna M. Wilson	$ 4,164,420	581,457
Steve Asakowicz	$ 572,963	80,000
Rod Lippincott	$ 429,722	60,000
Clint Roth, DVM	$ 1,174,575	164,000
TOTAL:	$ 14,000,000	1,954,750

[Schedule B to Amended and Restated Operating Agreement]

SCHEDULE C
to the
Amended and Restated Operating Agreement
of
Heska Imaging US, LLC

AGREEMENT OF SPOUSE

1. Consent of Spouse. Each spouse executing this Schedule C hereby acknowledges that he or she has received a copy of the Amended and Restated Operating Agreement (the "Agreement") of Heska Imaging US, LLC to which this Schedule C is attached and consents to be bound by its terms and conditions. Should an event occur which requires that the holder of Units offer or be deemed to have offered such Units to the Company, Heska or their respective designees, then the rights and obligations of the offerees shall extend not only to the Units actually owned by the holder but also to the Units owned, legally or beneficially, by the Unit holder's spouse and by the community of the Unit holder and his or her spouse. Each spouse of a Unit holder hereby irrevocably authorizes the Unit holder to make any offers required to be made under this Agreement and to take any other action authorized or required by a Unit holder under this Agreement.

2. Option to Purchase. In the event that the marriage of any Unit holder is terminated by divorce, dissolution or legal separation, the spouse of any Unit holder shall not be entitled to receive any of that Unit holder's Units, under either a court decree or property settlement agreement. If, however, a court of competent jurisdiction should grant such Units, or any portion thereof, to a spouse of a Unit holder pursuant to a decree of divorce, dissolution or legal separation, then such Unit holder shall have an option to purchase such Units from his or her spouse. This option shall be exercised, if at all, within thirty (30) days after the date of entry of the decree of divorce, dissolution or legal separation. The purchase price shall be the lesser of the value set forth in the decree of divorce, dissolution or legal separation, whichever is applicable, or the fair market value of such Units, as determined by the Board, which determination shall be final and binding on the undersigned. If the Unit holder fails to exercise his or her option within that thirty (30) day period, the Founder or the Founder's designee shall have the option, for a thirty (30) day period after receipt of written notice of such Unit holder's failure to exercise his or her option, to purchase the spouse's Units for the purchase price, and under the terms and conditions, applicable to the Unit holder hereunder. If the Founder or the Founder's designee fails to exercise its option within that thirty (30) day period, the Company or the its designee shall have the option, for a thirty (30) day period after receipt of written notice of the Founder's failure to exercise his option, to purchase the spouse's Units for the purchase price, and under the terms and conditions, applicable to the Unit holder hereunder.

IN WITNESS WHEREOF, the undersigned, , spouse of , a Unit holder in the Company, hereby agrees to all of the terms and conditions set forth in the Agreement and in this Schedule C thereto.

Date: _____

_____
(Signature)

EXHIBIT B

FORM OF
JOINDER TO AMENDED AND RESTATED OPERATING AGREEMENT
OF
HESKA IMAGING US, LLC

THIS JOINDER to the Amended and Restated Operating Agreement dated as of , 2013 of Heska Imaging US, LLC, a Delaware limited liability company (the "Company"), among the members of the Company (the "Agreement"), is made and entered into as of , 20 by and between the Company and ("Holder"). Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Agreement.

WHEREAS, Holder has acquired a Membership Interest comprised of Units in the Company (the "Acquired Units"), and, as a condition to such acquisition, the Agreement and the Company require Holder to become a party to the Agreement as a Member, and Holder agrees to do so in accordance with the terms hereof.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Joinder hereby agree as follows:

1. Agreement to be Bound. Holder hereby agrees that upon execution of this Joinder, it shall become a party to the Agreement and shall be fully bound by, and subject to, all of the covenants, terms and conditions of the Agreement as though an original party thereto and shall be deemed a Member for all purposes thereof with respect to the Acquired Units.

2. Successors and Assigns. Except as otherwise provided herein, this Joinder shall bind and inure to the benefit of and be enforceable by the Company and its successors and assigns and Holder and any subsequent holders of Units and the respective successors and assigns of each of them, so long as they hold any Units.

3. Notices. For purposes of Section 11.01 of the Agreement, all notices, demands or other communications to the Holder shall be directed to the contact information set forth beneath Holder's signature below.

4. GOVERNING LAW. THIS JOINDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE AND THE ACT, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE.

5. Counterparts. This Joinder may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and shall become effective when there exist copies hereof which, when taken together, bear the authorized signatures of each of the parties hereto. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

6. Descriptive Headings. The descriptive headings of this Joinder are inserted for convenience only and do not constitute a part of this Joinder.

IN WITNESS WHEREOF, the parties hereto have executed this Joinder as of the date first above written.

HESKA IMAGING US, LLC

By: _____
Print Name: _____
Print Title: _____

HOLDER:

Name of Entity (if applicable): _____

Signed By: _____
Print Signer's Name: _____
Address: _____

_____
Telephone: _____
Facsimile: _____
Email: _____

EXHIBIT C

FORM OF
UNIT PURCHASE AGREEMENT

THIS UNIT PURCHASE AGREEMENT (the "Agreement") is entered into as of , 20 , by and between ("Purchaser") and ("Seller"). Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Amended and Restated Operating Agreement of Heska Imaging, US, LLC, a Delaware limited liability company (the "Company"), as amended from time to time (the "Operating Agreement").

WHEREAS, Seller owns Units of the Company;

WHEREAS, Seller desires to sell to Purchaser Units and Purchaser desires to acquire from Seller such Units (the "Sale");

WHEREAS, pursuant to the Operating Agreement, the Sale shall not be recognized by the Company unless and until this Agreement shall be entered into and delivered to the Company in accordance with the Operating Agreement; and

WHEREAS, Seller and Purchaser desire that the Sale be recognized by the Company in accordance with the Operating Agreement.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser agree as follows:

AGREEMENT

1. Purchase of Units. Seller hereby agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, Units (the "Acquired Units"), for a price of $ per Unit (the "Per Unit Purchase Price"), for an aggregate purchase price of $, which shall constitute Purchaser's capital contribution with respect to such Acquired Units. The aggregate purchase price for the Acquired Units shall be paid by Purchaser in cash in immediately available funds on the date hereof.

2. Joinder in Operating Agreement. In consideration of the Sale, Purchaser hereby acknowledges and agrees that such Acquired Units shall be bound by all of the terms and conditions set forth in the Operating Agreement, and hereby affirms his agreement to be bound by the terms of the Operating Agreement and to abide by all of its provisions.

3. Amendment to Unit Register. The Company hereby amends Schedule B to the Operating Agreement to reflect Purchaser's ownership of the Acquired Units, as attached hereto as Exhibit A.

4. Investment Representations. Purchaser is acquiring the Acquired Units for his own account, for investment and not with a view toward the resale or distribution thereof in violation of applicable law. Purchaser understands that he must bear the economic risk of his investment for an indefinite period of time because the Company's Units are not registered under the Securities Act of 1933, as amended (the "Securities Act"), or any applicable state securities laws, and may not be resold unless subsequently registered under the Securities Act and such other laws or unless an exemption from such registration is available. Purchaser also understands that it is not contemplated that any registration will be made under the Securities Act or that the Company will take steps which will make the provisions of Rule 144 under the Securities Act available to permit resale of such securities.

5. Status of Purchasers. Purchaser has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of his investment in the Company. Purchaser has sufficient financial resources to bear the loss of his entire investment in the Company. Purchaser is an "accredited investor" as such term is defined in Rule 501 of Regulation D promulgated by the U.S. Securities and Exchange Commission under the Securities Act with respect to the acquisition of the Acquired Units contemplated by this Agreement.

6. Entire Agreement; Modification. This Agreement constitutes the entire agreement among the parties and supersedes all prior and contemporaneous agreements and undertakings of the parties with respect to the subject matter hereof. No supplement, modification or amendment of this Agreement shall be binding and enforceable unless executed in writing by the parties hereto.

7. Further Assurances. Each party will execute and deliver such further documents and take such further actions as may be required to carry out the intent and purpose of this Agreement.

8. Counterparts. This Agreement may be executed in counterparts, all of which taken together shall be deemed one original.

9. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of laws of any jurisdictions other than those of the State of Delaware.

10. Agreement of Joinder. In addition to and simultaneously with this Agreement, Purchaser hereby agrees to execute and deliver to the Company a joinder to the Operating Agreement substantially in the form provided on Exhibit B to the Operating Agreement.

[Signature page follows]

IN WITNESS WHEREOF, this Agreement is deemed made as of the date first set forth above.

SELLER

[ ]

PURCHASER

[ ]

HESKA CORPORATION

1997 STOCK INCENTIVE PLAN

(AS AMENDED MARCH 6, 2007 AND MAY 5, 2009)

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HESKA CORPORATION

1997 STOCK INCENTIVE PLAN

ARTICLE 1. INTRODUCTION.

The Plan was adopted by the Board effective March 15, 1997. The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging Employees, Outside Directors and Consultants to focus on critical long-range objectives, (b) encouraging the attraction and retention of Employees, Outside Directors and Consultants with exceptional qualifications and (c) linking Employees, Outside Directors and Consultants directly to stockholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Restricted Shares or Options (which may constitute incentive stock options or nonstatutory stock options).

The Plan shall be governed by, and construed in accordance with, the laws of the State of Colorado (except their choice-of-law provisions).

ARTICLE 2. ADMINISTRATION.

2.1 Committee Composition. The Plan shall be administered by the Committee. The Committee shall consist exclusively of two or more directors of the Company, who shall be appointed by the Board. In addition, the composition of the Committee shall satisfy:

(a) Such requirements as the Securities and Exchange Commission may establish for administrators acting under plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act; and

(b) Such requirements as the Internal Revenue Service may establish for outside directors acting under plans intended to qualify for exemption under section 162(m)(4)(C) of the Code.

The Board may also appoint one or more separate committees of the Board, each composed of one or more directors of the Company who need not satisfy the foregoing requirements, who may administer the Plan with respect to Employees and Consultants who are not considered officers or directors of the Company under section 16 of the Exchange Act, may grant Awards under the Plan to such Employees and Consultants and may determine all terms of such Awards.

2.2 Committee Responsibilities. The Committee shall (a) select the Employees, Outside Directors and Consultants who are to receive Awards under the Plan, (b) determine the type, number, vesting requirements and other features and conditions of such Awards, (c) interpret the Plan and (d) make all other decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

ARTICLE 3. SHARES AVAILABLE FOR GRANTS.

3.1 Basic Limitation. Common Shares issued pursuant to the Plan may be authorized but unissued shares or treasury shares. The aggregate number of Options and Restricted Shares awarded under the Plan shall not exceed (a) 1,350,000 plus (b) the aggregate number of Common Shares remaining available for grants under the Predecessor Plans on March 15, 1997, plus (c) the additional Common Shares described in Sections 3.2 and 3.3 less (d) 250,000. No additional grants shall be made under the Predecessor Plans after March 15, 1997. The limitation of this Section 3.1 shall be subject to adjustment pursuant to Article 9.

3.2 Annual Increase in Shares. As of January 1 of each year, commencing with the year 1998 and continuing through January 1, 2007, the aggregate number of Options and Restricted Shares that may be awarded under the Plan shall be increased by a number of Common Shares equal to the lesser of (a) 5% of the total number of Common Shares outstanding as of the next preceding December 31 or (b) 1,500,000. After the annual increase on January 1, 2007, there shall be no further annual increases under the Plan unless and until stockholder approval of such increase has been obtained.

3.3 Additional Shares. If Options granted under this Plan or under the Predecessor Plans are forfeited or terminate for any other reason before being exercised, then the corresponding Common Shares shall become available for the grant of Options and Restricted Shares under this Plan. If Restricted Shares are forfeited, then the corresponding Common Shares shall again become available for the grant of NQOs and Restricted Shares under the Plan. The aggregate number of Common Shares that may be issued under the Plan upon the exercise of ISOs shall not be increased when Restricted Shares are forfeited.

ARTICLE 4. ELIGIBILITY.

4.1 Nonstatutory Stock Options and Restricted Shares. Only Employees, Outside Directors and Consultants shall be eligible for the grant of NQOs and Restricted Shares.

4.2 Incentive Stock Options. Only Employees who are common-law employees of the Company, a Parent or a Subsidiary shall be eligible for the grant of ISOs. In addition, an Employee who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company or any of its Parents or Subsidiaries shall not be eligible for the grant of an IS0 unless the requirements set forth in section 422(c)(6) of the Code are satisfied.

ARTICLE 5. OPTIONS.

5.1 Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The Stock Option Agreement shall specify whether the Option is an IS0 or an NQO. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. Options may be granted in consideration of a cash payment or in consideration of a reduction in the Optionee's other compensation. A Stock Option Agreement may provide that a new Option will be granted automatically to the Optionee when he or she exercises a prior Option and pays the Exercise Price in the form described in Section 6.2.

5.2 Number of Shares. Each Stock Option Agreement shall specify the number of Common Shares subject to the Option and shall provide for the adjustment of such number in accordance with Article 9. Options granted to any Optionee in a single fiscal year of the Company shall not cover more than 500,000 Common Shares, except that Options granted to a new Employee in the fiscal year of the Company in which his or her service as an Employee first commences shall not cover more than one million Common Shares. The limitations set forth in the preceding sentence shall be subject to adjustment in accordance with Article 9.

5.3 Exercise Price. Each Stock Option Agreement shall specify the Exercise Price; provided that the Exercise Price under an IS0 shall in no event be less than 100% of the Fair Market Value of a Common Share on the date of grant and the Exercise Price under an NQO shall in no event be less than 85% of the Fair Market Value of a Common Share on the date of grant. In the case of an NQO, a Stock Option Agreement may specify an Exercise Price that varies in accordance with a predetermined formula while the NQO is outstanding.

5.4 Exercisability and Term. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option; provided that the term of an IS0 shall in no event exceed 10 years from the date of grant. A Stock Option Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service. NQOs may also be awarded in combination with Restricted Shares, and such an Award may provide that the NQOs will not be exercisable unless the related Restricted Shares are forfeited.

5.5 Effect of Change in Control. The Committee may determine, at the time of granting an Option or thereafter, that such Option shall become exercisable as to all or part of the Common Shares subject to such Option in the event that a Change in Control occurs with respect to the Company, subject to the following limitations:

(a) In the case of an ISO, the acceleration of exercisability shall not occur without the Optionee's written consent.

(b) If the Company and the other party to the transaction constituting a Change in Control agree that such transaction is to be treated as a "pooling of interests" for financial reporting purposes, and if such transaction in fact is so treated, then the acceleration of exercisability shall not occur to the extent that the surviving entity's independent public accountants determine in good faith that such acceleration would preclude the use of "pooling of interests" accounting.

5.6 Modification or Assumption of Options. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding options or may accept the cancellation of outstanding options (whether granted by the Company or by another issuer) in return for the grant of new options for the same or a different number of shares and at the same or a different exercise price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such Option.

5.7 Buyout Provisions. The Committee may at any time (a) offer to buy out for a payment in cash or cash equivalents an Option previously granted or (b) authorize an Optionee to elect to cash out an Option previously granted, in either case at such time and based upon such terms and conditions as the Committee shall establish.

ARTICLE 6. PAYMENT FOR OPTION SHARES.

6.1 General Rule. The entire Exercise Price of Common Shares issued upon exercise of Options shall be payable in cash or cash equivalents at the time when such Common Shares are purchased, except as follows:

(a) In the case of an IS0 granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Stock Option Agreement. The Stock Option Agreement may specify that payment may be made in any form(s) described in this Article 6.

(b) In the case of an NQO, the Committee may at any time accept payment in any form(s) described in this Article 6.

6.2 Surrender of Stock. To the extent that this Section 6.2 is applicable, all or any part of the Exercise Price may be paid by surrendering, Common Shares that are already owned by the Optionee. Such Common Shares shall be valued at their Fair Market Value on the date when the new Common Shares are purchased under the Plan. The Optionee shall not surrender, Common Shares in payment of the Exercise Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

6.3 Exercise/Sale. To the extent that this Section 6.3 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or part of the Common Shares being purchased under the Plan and to deliver all or part of the sales proceeds to the Company.

6.4 Exercise/Pledge. To the extent that this Section 6.4 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to pledge all or part of the Common Shares being purchased under the Plan to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company.

6.5 Promissory Note. To the extent that this Section 6.5 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) a full-recourse promissory note; provided that the par value of the Common Shares being purchased under the Plan shall be paid in cash or cash equivalents.

6.6 Other Forms of Payment. To the extent that this Section 6.6 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid in any other form that is consistent with applicable laws, regulations and rules.

ARTICLE 7. [Reserved]

ARTICLE 8. RESTRICTED SHARES.

8.1 Time, Amount and Form of Awards. Awards under the Plan may be granted in the form of Restricted Shares. Restricted Shares may also be awarded in combination with NQOs, and such an Award may provide that the Restricted Shares will be forfeited in the event that the related NQOs are exercised.

8.2 Payment for Awards. To the extent that an Award is granted in the form of newly issued Restricted Shares, the Award recipient, as a condition to the grant of such Award, shall be required to pay the Company in cash or cash equivalents an amount equal to the par value of such Restricted Shares. To the extent that an Award is granted in the form of Restricted Shares from the Company’s treasury, no cash consideration shall be required of the Award recipients. Any amount not paid in cash may be paid with a full recourse promissory note.

8.3 Vesting Conditions. Each Award of Restricted Shares may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Award Agreement. A Stock Award Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events. The Committee may determine, at the time of granting Restricted Shares or thereafter, that all or part of such Restricted Shares shall become vested in the event that a Change in Control occurs with respect to the Company, except as provided in the next following sentence. If the Company and the other party to the transaction constituting a Change in Control agree that such transaction is to be treated as a "pooling of interests" for financial reporting purposes, and if such transaction in fact is so treated, then the acceleration of vesting shall not occur to the extent that the surviving entity's independent public accountants determine in good faith that such acceleration would preclude the use of "pooling of interests" accounting.

8.4 Voting and Dividend Rights. The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders. A Stock Award Agreement, however, may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid.

ARTICLE 9. PROTECTION AGAINST DILUTION.

9.1 Adjustments. In the event of a subdivision of the outstanding Common Shares, a declaration of a dividend payable in Common Shares, a declaration of a dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a combination or consolidation of the outstanding Common Shares (by reclassification or otherwise) into a lesser number of Common Shares, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such adjustments as it, in its sole discretion, deems appropriate in one or more of (a) the number of Options and Restricted Shares available for future Awards under Article 3, (b) the limitations set forth in Section 5.2, (c) the number of Common Shares covered by each outstanding Option or (d) the Exercise Price under each outstanding Option. Except as provided in this Article 9, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

9.2 Dissolution or Liquidation. To the extent not previously exercised, Options shall terminate immediately prior to the dissolution or liquidation of the Company.

9.3 Reorganizations. In the event that the Company is a party to a merger or other reorganization, outstanding Options and Restricted Shares shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the continuation of outstanding Awards by the Company (if the Company is a surviving corporation), for their assumption by the surviving corporation or its parent or subsidiary, for the substitution by the surviving corporation or its parent or subsidiary of its own awards for such Awards, for accelerated vesting and accelerated expiration, or for settlement in cash or cash equivalents.

ARTICLE 10. AWARDS UNDER OTHER PLANS.

The Company may grant awards under other plans or programs. Such awards may be settled in the form of Common Shares issued under this Plan. Such Common Shares shall be treated for all purposes under the Plan like Restricted Shares and shall, when issued, reduce the number of Common Shares available under Article 3.

ARTICLE 11. LIMITATION ON RIGHTS.

11.1 Retention Rights. Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain an Employee, Outside Director or Consultant. The Company and its Parents, Subsidiaries and Affiliates reserve the right to terminate the service of any Employee, Outside Director or Consultant at any time, with or without cause, subject to applicable laws, the Company's certificate of incorporation and bylaws and a written employment agreement (if any).

11.2 Stockholders' Rights. A Participant shall have no dividend rights, voting rights or other rights as a stockholder with respect to any Common Shares covered by his or her Award prior to the time when a stock certificate for such Common Shares is issued or, in the case of an Option, the time when he or she becomes entitled to receive such Common Shares by filing a notice of exercise and paying the Exercise Price. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

11.3 Regulatory Requirements. Any other provision of the Plan notwithstanding, the obligation of the Company to issue Common Shares under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Common Shares pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such Common Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

ARTICLE 12. WITHHOLDING TAXES.

12.1 General. To the extent required by applicable federal, state, local or foreign law, a Participant or his or her successor shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company shall not be required to issue any Common Shares or make any cash payment under the Plan until such obligations are satisfied.

12.2 Share Withholding. The Committee may permit a Participant to satisfy all or part of his or her withholding or income tax obligations by having the Company withhold all or a portion of any Common Shares that otherwise would be issued to him or her or by surrendering all or a portion of any Common Shares that he or she previously acquired. Such Common Shares shall be valued at their Fair Market Value on the date when taxes otherwise would be withheld in cash.

ARTICLE 13. FUTURE OF THE PLAN.

13.1 Term of the Plan. The Plan, as set forth herein, shall become effective on March 14, 1997. The Plan shall remain in effect until it is terminated under Section 13.2, except that no ISOs shall be granted after May 4, 2019.

13.2 Amendment or Termination. The Board may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Award previously granted under the Plan.

ARTICLE 14. DEFINITIONS.

14.1 "**Affiliate**" means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.

14.2 "**Award**" means any award of an Option or a Restricted Share under the Plan.

14.3 "**Board**" means the Company's Board of Directors, as constituted from time to time.

14.4 "**Change in Control**" shall mean:

(a) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization;

(b) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(c) A change in the composition of the Board, a result of which fewer than 50% of the incumbent directors are directors who either (i) had been directors of the Company on the date 24 months prior to the date of the event that may constitute a Change in Control (the "original directors") or (ii) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved; or

(d) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing at least 30% of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Paragraph (d), the term "person" shall have the same meaning as when used in sections 13(d) and 14(d) of the Exchange Act but shall exclude (i) any person, or person affiliated with said person, who, on March 15, 1997, is the beneficial owner of securities of the Company representing at least 20% of the total voting power represented by the Company's then outstanding voting securities (11,607,764), (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or of a Parent or Subsidiary and (iii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

14.5 "**Code**" means the Internal Revenue Code of 1986, as amended.

14.6 "**Committee**" means a committee of the Board, as described in Article 2.

14.7 "**Common Share**" means one share of the common stock of the Company.

14.8 "**Company**" means either (a) Heska Corporation, a California corporation (prior to the formation of Heska Corporation, a Delaware corporation), or (b) Heska Corporation, a Delaware corporation (following its formation).

14.9 "**Consultant**" means a consultant or adviser who provides bona fide services to the Company, a Parent, a Subsidiary or an Affiliate as an independent contractor. Service as a Consultant shall be considered employment for all purposes of the Plan, except as provided in Section 4.2.

14.10 "**Employee**" means a common-law employee of the Company, a Parent, a Subsidiary or an Affiliate.

14.11 "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

14.12 "**Exercise Price**" means the amount for which one Common Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement.

14.13 "**Fair Market Value**" means the market price of Common Shares, determined by the Committee in good faith on such basis as it deems appropriate. Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in The Wall Street Journal. Such determination shall be conclusive and binding on all persons.

14.14 "**ISO**" means an incentive stock option described in section 422(b) of the Code.

14.15 "**NQO** means a stock option not described in sections 422 or 423 of the Code.

14.16 "**Option**" means an IS0 or NQO granted under the Plan and entitling the holder to purchase Common Shares.

14.17 "**Optionee**" means an individual or estate who holds an Option.

14.18 "**Outside Director**" shall mean a member of the Board who is not an Employee. Service as an Outside Director shall be considered employment for all purposes of the Plan, except as provided in Section 4.2.

14.19 "**Parent**" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

14.20 "**Participant**" means an individual or estate who holds an Award.

14.21 "**Plan**" means this Heska Corporation 1997 Stock Incentive Plan, as amended from time to time.

14.22 "**Predecessor Plans**" means (a) the 1988 Heska Corporation Stock Plan and (b) the Heska Corporation 1994 Key Executive Stock Plan.

14.23 "**Restricted Share**" means a Common Share awarded under the Plan.

14.24 "**Stock Award Agreement**" means the agreement between the Company and the recipient of a Restricted Share that contains the terms, conditions and restrictions pertaining to such Restricted Share.

14.25 "**Stock Option Agreement**" means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her Option.

14.26 "**Subsidiary**" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

ARTICLE 15. EXECUTION.

To record the adoption of the Plan by the Board, the Company has caused its duly authorized officer to execute this document in the name of the Company.

HESKA CORPORATION

By: /s/ Jason A. Napolitano
Executive Vice President and
Chief Financial Officer

HESKA CORPORATION
1997 STOCK INCENTIVE PLAN
(AS AMENDED MARCH 6, 2007 AND MAY 5, 2009
AND AMENDED AND RESTATED ON FEBRUARY 22, 2012)

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HESKA CORPORATION

1997 STOCK INCENTIVE PLAN

ARTICLE 1. INTRODUCTION.

The Plan was adopted by the Board effective March 15, 1997, and was subsequently amended on each of March 6, 2007 and May 5, 2009. In connection with completion of the Company's 1-for-10 Reverse Stock Split on December 30, 2010, pursuant to Article 9 the Compensation Committee of the Board approved adjustments to the Plan to reduce by a factor of ten the number of Options and Restricted Shares, and related underlying Common Shares, available for issuance under the Plan. On February 22, 2012, the Board approved, subject to stockholder approval, further amendments to the Plan to increase the aggregate number of Common Shares available for issuance under the Plan.

The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging Employees, Outside Directors and Consultants to focus on critical long-range objectives, (b) encouraging the attraction and retention of Employees, Outside Directors and Consultants with exceptional qualifications and (c) linking Employees, Outside Directors and Consultants directly to stockholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Restricted Shares or Options (which may constitute incentive stock options or nonstatutory stock options).

The Plan shall be governed by, and construed in accordance with, the laws of the State of Colorado (except its choice-of-law provisions).

ARTICLE 2. ADMINISTRATION.

2.1 **Committee Composition.** The Plan shall be administered by the Committee. The Committee shall consist exclusively of two or more directors of the Company, who shall be appointed by the Board. In addition, the composition of the Committee shall satisfy:

(a) Such requirements as the Securities and Exchange Commission may establish for administrators acting under plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act; and

(b) Such requirements as the Internal Revenue Service may establish for outside directors acting under plans intended to qualify for exemption under section 162(m)(4)(C) of the Code.

The Board may also appoint one or more separate committees of the Board, each composed of one or more directors of the Company who need not satisfy the foregoing requirements, who may administer the Plan with respect to Employees and Consultants who are not considered officers or directors of the Company under section 16 of the Exchange Act, may grant Awards under the Plan to such Employees and Consultants and may determine all terms of such Awards.

2.2 **Committee Responsibilities.** The Committee shall (a) select the Employees, Outside Directors and Consultants who are to receive Awards under the Plan, (b) determine the type, number, vesting requirements and other features and conditions of such Awards, (c) interpret the Plan and (d) make all other decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

ARTICLE 3. SHARES AVAILABLE FOR GRANTS.

3.1 **Basic Limitation.** Common Shares issued pursuant to the Plan may be authorized but unissued shares or treasury shares. Prior to December 30, 2010, the effective date of the Reverse Stock Split, the aggregate number of Options and Restricted Shares awarded under the Plan were not to exceed: (a) 1,350,000; plus (b) the aggregate number of Common Shares remaining available for grants under the Predecessor Plans on March 15, 1997; plus (c) the additional Common Shares described in Sections 3.2(a) and 3.3; less (d) 250,000. From and after the effective date of the Reverse Stock Split, the aggregate number of Options and Restricted Shares available for award under the Plan were reduced (pursuant to Article 9) by a factor of ten as follows: (a) 135,000; plus (b) 10% of the aggregate number of Common Shares that remained available for grants under the Predecessor Plans on March 15, 1997; plus (c) the additional Common Shares described in Sections 3.2(b) and 3.3 plus 10% of the additional Common Shares described in Section 3.2(a); less (d) 25,000. Subject to stockholder approval, from and after the effective date of this amended and restated Plan, the aggregate number of Options and Restricted Shares that may be awarded under the Plan shall be increased by 250,000. No additional grants have been or are permitted to be made under the Predecessor Plans after March 15, 1997. The limitation of this Section 3.1 shall be further subject to adjustment pursuant to Article 9.

3.2 **Annual Increase in Shares.**

(a) As of January 1 of each year, commencing with the year 1998 and continuing through January 1, 2007, the aggregate number of Options and Restricted Shares that may be awarded under the Plan shall be increased by a number of Common Shares equal to the lesser of (i) 5% of the total number of Common Shares outstanding as of the next preceding December 31 or (ii) 1,500,000. After the annual increase on January 1, 2007, there shall be no further annual increases under the Plan pursuant to this Section 3.2(a) unless and until stockholder approval of such increase has been obtained.

(b) Subject to stockholder approval, as of the Company’s Annual meeting of stockholders of each given year, commencing with the Company’s Annual meeting of stockholders in 2012 and continuing through the Company’s Annual meeting of stockholders in 2016, the aggregate number of Options and Restricted Shares that may be awarded under the Plan shall be increased by a number of Common Shares equal to the lesser of (A) 45,000 and (B) the product of 5,000 multiplied by the number of non-employee directors serving on the Board as of the Company’s Annual meeting of stockholders in the particular year of determination. After the annual increase as of the Company’s Annual meeting of stockholders in 2016, there shall be no further annual increases under the Plan pursuant to this Section 3.2(b) unless and until stockholder approval of such increase has been obtained.

3.3 **Additional Shares.** If Options granted under this Plan or under the Predecessor Plans are forfeited or terminate for any other reason before being exercised, then the corresponding Common Shares shall become available for the grant of Options and Restricted Shares under this Plan. If Restricted Shares are forfeited, then the corresponding Common Shares shall again become available for the grant of NQOs and Restricted Shares under the Plan. The aggregate number of Common Shares that may be issued under the Plan upon the exercise of ISOs shall not be increased when Restricted Shares are forfeited.

ARTICLE 4. ELIGIBILITY.

4.1 **Nonstatutory Stock Options and Restricted Shares.** Only Employees, Outside Directors and Consultants shall be eligible for the grant of NQOs and Restricted Shares.

4.2 **Incentive Stock Options.** Only Employees who are common-law employees of the Company, a Parent or a Subsidiary shall be eligible for the grant of ISOs. In addition, an Employee who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company or any of its Parents or Subsidiaries shall not be eligible for the grant of an ISO unless the requirements set forth in section 422(c)(6) of the Code are satisfied.

ARTICLE 5. OPTIONS.

5.1 **Stock Option Agreement.** Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The Stock Option Agreement shall specify whether the Option is an ISO or an NQO. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. Options may be granted in consideration of a cash payment or in consideration of a reduction in the Optionee's other compensation. A Stock Option Agreement may provide that a new Option will be granted automatically to the Optionee when he or she exercises a prior Option and pays the Exercise Price in the form described in Section 6.2.

5.2 **Number of Shares.** Each Stock Option Agreement shall specify the number of Common Shares subject to the Option and shall provide for the adjustment of such number in accordance with Article 9. Options granted to any Optionee in a single fiscal year of the Company shall not cover more than 50,000 Common Shares, except that Options granted to a new Employee in the fiscal year of the Company in which his or her service as an Employee first commences shall not cover more than 100,000 Common Shares. The limitations set forth in the preceding sentence shall be subject to adjustment in accordance with Article 9.

5.3 **Exercise Price.** Each Stock Option Agreement shall specify the Exercise Price; provided that the Exercise Price under an ISO shall in no event be less than 100% of the Fair Market Value of a Common Share on the date of grant and the Exercise Price under an NQO shall in no event be less than 85% of the Fair Market Value of a Common Share on the date of grant. In the case of an NQO, a Stock Option Agreement may specify an Exercise Price that varies in accordance with a predetermined formula while the NQO is outstanding.

5.4 **Exercisability and Term.** Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option; provided that the term of an ISO shall in no event exceed 10 years from the date of grant. A Stock Option Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service. NQOs may also be awarded in combination with Restricted Shares, and such an Award may provide that the NQOs will not be exercisable unless the related Restricted Shares are forfeited.

5.5 **Effect of Change in Control.** The Committee may determine, at the time of granting an Option or thereafter, that such Option shall become exercisable as to all or part of the Common Shares subject to such Option in the event that a Change in Control occurs with respect to the Company, subject to the following limitations:

(a) In the case of an ISO, the acceleration of exercisability shall not occur without the Optionee's written consent.

(b) If the Company and the other party to the transaction constituting a Change in Control agree that such transaction is to be treated as a "pooling of interests" for financial reporting purposes, and if such transaction in fact is so treated, then the acceleration of exercisability shall not occur to the extent that the surviving entity's independent public accountants determine in good faith that such acceleration would preclude the use of "pooling of interests" accounting.

5.6 **Modification or Assumption of Options.** Within the limitations of the Plan, the Committee may modify, extend or assume outstanding options or may accept the cancellation of outstanding options (whether granted by the Company or by another issuer) in return for the grant of new options for the same or a different number of shares and at the same or a different exercise price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such Option.

5.7 **Buyout Provisions.** The Committee may at any time (a) offer to buy out for a payment in cash or cash equivalents an Option previously granted or (b) authorize an Optionee to elect to cash out an Option previously granted, in either case at such time and based upon such terms and conditions as the Committee shall establish.

ARTICLE 6. PAYMENT FOR OPTION SHARES.

6.1 **General Rule.** The entire Exercise Price of Common Shares issued upon exercise of Options shall be payable in cash or cash equivalents at the time when such Common Shares are purchased, except as follows:

(a) In the case of an ISO granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Stock Option Agreement. The Stock Option Agreement may specify that payment may be made in any form(s) described in this Article 6.

(b) In the case of an NQO, the Committee may at any time accept payment in any form(s) described in this Article 6.

6.2 **Surrender of Stock.** To the extent that this Section 6.2 is applicable, all or any part of the Exercise Price may be paid by surrendering, Common Shares that are already owned by the Optionee. Such Common Shares shall be valued at their Fair Market Value on the date when the new Common Shares are purchased under the Plan. The Optionee shall not surrender Common Shares in payment of the Exercise Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

6.3 **Exercise/Sale.** To the extent that this Section 6.3 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or part of the Common Shares being purchased under the Plan and to deliver all or part of the sales proceeds to the Company.

6.4 **Exercise/Pledge.** To the extent that this Section 6.4 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to pledge all or part of the Common Shares being purchased under the Plan to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company.

6.5 **Promissory Note.** To the extent that this Section 6.5 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) a full-recourse promissory note; provided that the par value of the Common Shares being purchased under the Plan shall be paid in cash or cash equivalents.

6.6 **Other Forms of Payment.** To the extent that this Section 6.6 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid in any other form that is consistent with applicable laws, regulations and rules.

ARTICLE 7. [Reserved]

ARTICLE 8. RESTRICTED SHARES.

8.1 **Time, Amount and Form of Awards.** Awards under the Plan may be granted in the form of Restricted Shares. Restricted Shares may also be awarded in combination with NQOs, and such an Award may provide that the Restricted Shares will be forfeited in the event that the related NQOs are exercised.

8.2 **Payment for Awards.** To the extent that an Award is granted in the form of newly issued Restricted Shares, the Award recipient, as a condition to the grant of such Award, shall be required to pay the Company in cash or cash equivalents an amount equal to the par value of such Restricted Shares. To the extent that an Award is granted in the form of Restricted Shares from the Company's treasury, no cash consideration shall be required of the Award recipients. Any amount not paid in cash may be paid with a full recourse promissory note.

8.3 **Vesting Conditions.** Each Award of Restricted Shares may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Award Agreement. A Stock Award Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events. The Committee may determine, at the time of granting Restricted Shares or thereafter, that all or part of such Restricted Shares shall become vested in the event that a Change in Control occurs with respect to the Company, except as provided in the next following sentence. If the Company and the other party to the transaction constituting a Change in Control agree that such transaction is to be treated as a "pooling of interests" for financial reporting purposes, and if such transaction in fact is so treated, then the acceleration of vesting shall not occur to the extent that the surviving entity's independent public accountants determine in good faith that such acceleration would preclude the use of "pooling of interests" accounting.

8.4 **Voting and Dividend Rights.** The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders. A Stock Award Agreement, however, may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid.

ARTICLE 9. PROTECTION AGAINST DILUTION.

9.1 **Adjustments.** In the event of a subdivision of the outstanding Common Shares, a declaration of a dividend payable in Common Shares, a declaration of a dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a combination or consolidation of the outstanding Common Shares (by reclassification or otherwise) into a lesser number of Common Shares, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such adjustments as it, in its sole discretion, deems appropriate in one or more of (a) the number of Options and Restricted Shares available for future Awards under Article 3, (b) the limitations set forth in Section 5.2, (c) the number of Common Shares covered by each outstanding Option or (d) the Exercise Price under each outstanding Option. Except as provided in this Article 9, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

9.2 **Dissolution or Liquidation.** To the extent not previously exercised, Options shall terminate immediately prior to the dissolution or liquidation of the Company.

9.3 **Reorganizations.** In the event that the Company is a party to a merger or other reorganization, outstanding Options and Restricted Shares shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the continuation of outstanding Awards by the Company (if the Company is a surviving corporation), for their assumption by the surviving corporation or its parent or subsidiary, for the substitution by the surviving corporation or its parent or subsidiary of its own awards for such Awards, for accelerated vesting and accelerated expiration, or for settlement in cash or cash equivalents.

ARTICLE 10. AWARDS UNDER OTHER PLANS.

The Company may grant awards under other plans or programs. Such awards may be settled in the form of Common Shares issued under this Plan. Such Common Shares shall be treated for all purposes under the Plan like Restricted Shares and shall, when issued, reduce the number of Common Shares available under Article 3.

ARTICLE 11. LIMITATION ON RIGHTS.

11.1 **Retention Rights.** Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain an Employee, Outside Director or Consultant. The Company and its Parents, Subsidiaries and Affiliates reserve the right to terminate the service of any Employee, Outside Director or Consultant at any time, with or without cause, subject to applicable laws, the Company's certificate of incorporation and bylaws and a written employment agreement (if any).

11.2 **Stockholders' Rights.** A Participant shall have no dividend rights, voting rights or other rights as a stockholder with respect to any Common Shares covered by his or her Award prior to the time when a stock certificate for such Common Shares is issued or, in the case of an Option, the time when he or she becomes entitled to receive such Common Shares by filing a notice of exercise and paying the Exercise Price. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

11.3 **Regulatory Requirements.** Any other provision of the Plan notwithstanding, the obligation of the Company to issue Common Shares under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Common Shares pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such Common Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

ARTICLE 12. WITHHOLDING TAXES.

12.1 **General.** To the extent required by applicable federal, state, local or foreign law, a Participant or his or her successor shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company shall not be required to issue any Common Shares or make any cash payment under the Plan until such obligations are satisfied.

12.2 **Share Withholding.** The Committee may permit a Participant to satisfy all or part of his or her withholding or income tax obligations by having the Company withhold all or a portion of any Common Shares that otherwise would be issued to him or her or by surrendering all or a portion of any Common Shares that he or she previously acquired. Such Common Shares shall be valued at their Fair Market Value on the date when taxes otherwise would be withheld in cash.

ARTICLE 13. FUTURE OF THE PLAN.

13.1 **Term of the Plan.** The Plan, as set forth herein, shall become effective on March 14, 1997. The Plan shall remain in effect until it is terminated under Section 13.2, except that no ISOs shall be granted after May 8, 2022.

13.2 **Amendment or Termination.** The Board may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Award previously granted under the Plan.

ARTICLE 14. DEFINITIONS.

14.1 **"Affiliate"** means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.

14.2 **"Award"** means any award of an Option or a Restricted Share under the Plan.

14.3 **"Board"** means the Company's Board of Directors, as constituted from time to time.

14.4 **"Change in Control"** shall mean:

(a) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization;

(b) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(c) A change in the composition of the Board, a result of which fewer than 50% of the incumbent directors are directors who either (i) had been directors of the Company on the date 24 months prior to the date of the event that may constitute a Change in Control (the "original directors") or (ii) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved; or

(d) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing at least 30% of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Paragraph (d), the term "person" shall have the same meaning as when used in sections 13(d) and 14(d) of the Exchange Act but shall exclude (i) any person, or person affiliated with said person, who, on March 15, 1997, is the beneficial owner of securities of the Company representing at least 20% of the total voting power represented by the Company's then outstanding voting securities (11,607,764), (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or of a Parent or Subsidiary and (iii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

14.5 **"Code"** means the Internal Revenue Code of 1986, as amended.

14.6 **"Committee"** means a committee of the Board, as described in Article 2.

14.7 **"Common Share"** means, as may be applicable, one share of Common Stock, par value $0.01 per share, of the Company to the extent any remains outstanding at the time of determination, or one share of Public Common Stock, par value $0.01 per share, of the Company, to the extent any remains outstanding at the time of determination.

14.8 **"Company"** means either (a) Heska Corporation, a California corporation (prior to the formation of Heska Corporation, a Delaware corporation), or (b) Heska Corporation, a Delaware corporation (following its formation).

14.9 **"Consultant"** means a consultant or adviser who provides bona fide services to the Company, a Parent, a Subsidiary or an Affiliate as an independent contractor. Service as a Consultant shall be considered employment for all purposes of the Plan, except as provided in Section 4.2.

14.10 **"Employee"** means a common-law employee of the Company, a Parent, a Subsidiary or an Affiliate.

14.11 **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

14.12 **"Exercise Price"** means the amount for which one Common Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement.

14.13 **"Fair Market Value"** means the market price of Common Shares, determined by the Committee in good faith on such basis as it deems appropriate. Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in The Wall Street Journal. Such determination shall be conclusive and binding on all persons.

14.14 **"ISO"** means an incentive stock option described in section 422(b) of the Code.

14.15 **"NQO"** means a stock option not described in sections 422 or 423 of the Code.

14.16 **"Option"** means an ISO or NQO granted under the Plan and entitling the holder to purchase Common Shares.

14.17 **"Optionee"** means an individual or estate who holds an Option.

14.18 **"Outside Director"** shall mean a member of the Board who is not an Employee. Service as an Outside Director shall be considered employment for all purposes of the Plan, except as provided in Section 4.2.

14.19 **"Parent"** means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

14.20 **"Participant"** means an individual or estate who holds an Award.

14.21 **"Plan"** means this Heska Corporation 1997 Stock Incentive Plan, as amended from time to time.

14.22 **"Predecessor Plans"** means (a) the 1988 Heska Corporation Stock Plan and (b) the Heska Corporation 1994 Key Executive Stock Plan.

14.23 **"Restricted Share"** means a Common Share awarded under the Plan.

14.24 "**Reverse Stock Split**" means the Company's 1-for-10 reverse stock split of its then outstanding Common Shares, which was approved by the Company's stockholders and consummated and made effective December 30, 2010.

14.25 **"Stock Award Agreement"** means the agreement between the Company and the recipient of a Restricted Share that contains the terms, conditions and restrictions pertaining to such Restricted Share.

14.26 **"Stock Option Agreement"** means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her Option.

14.27 "**Subsidiary**" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

ARTICLE 15. EXECUTION.

To record the adoption of the Plan by the Board, the Company has caused its duly authorized officer to execute this document in the name of the Company.

HESKA CORPORATION

By: /s/ Jason A. Napolitano
Executive Vice President and
Chief Financial Officer

HESKA CORPORATION

DIRECTOR COMPENSATION POLICY

Non-employee directors of Heska Corporation, a Delaware corporation (the "Company") shall receive the following compensation for their service as a member of the Board of Directors (the "Board") of the Company:

Cash Compensation

Annual Retainer for General Board Service

Effective January 1, 2013, each non-employee director shall be entitled to an annual cash retainer in the amount of $40,000 (the "Annual Retainer"). The Company shall pay the Annual Retainer on a quarterly basis in advance on the first day of the calendar quarter, subject to the non-employee director's continued service to the Company as a non-employee director on such date.

Annual Retainer for Specific Role Service

Commencing January 1, 2013, any non-employee director who serves in a specified role shall be entitled to an annual cash retainer in an amount specified in the table below (the "Service Retainer"). The Company shall pay each Service Retainer on a quarterly basis in advance on the first day of the calendar quarter, subject to the applicable non-employee director's continued service to the Company in the corresponding role on such date.

Role	Service Retainer
Lead Director	$ 10,000
Audit Chair	$ 20,000
Compensation Chair	$ 12,000
Corporate Governance Chair	$ 7,500
Audit Member	$ 10,000
Compensation Member	$ 6,000
Corporate Governance Member	$ 3,000

Note: Non-employee directors are not to be paid a Chair and Member fee for service on the same committee.

Equity Compensation

Annual Award

Commencing with the 2013 Annual Meeting of Stockholders, each non-employee director elected to the Board and each other continuing non-employee director shall automatically receive an annual grant of an option valued at $50,000 (the "Equity Value") to purchase shares of the Company's common stock, at an exercise price equal to the fair market value of the common stock on the date of grant which shall be the date of each Company Annual Meeting of stockholders, subject to such grant covering a maximum of 5,000 shares (the "Option Cap"). This option shall vest in full on the earlier of (i) the one year anniversary of the date of grant and (ii) the date immediately preceding the date of the Annual Meeting of the Company's stockholders for the year following the year of grant for the award, subject to the non-employee director's continued service to the Company through the vesting date. The option shall be immediately exercisable, but if "early exercised," remain subject to the Company's right of repurchase at the exercise price upon termination of service prior to the vesting date.

Initial Award

Beginning on January 1, 2013, any new non-employee directors appointed or elected to our Board between Annual Meetings shall automatically receive a grant of an option to purchase shares of the Company's common stock at an exercise price equal to the fair market value of the common stock on the date of grant valued at the Equity Value adjusted pro rata for the time until the next Annual Meeting, subject to the Option Cap adjusted pro rata for the time until the next Annual Meeting. The option shall vest at the same time as the Annual Award issued to Directors at the previous Annual Meeting. The option shall be immediately exercisable, but if "early exercised," remain subject to the Company's right of repurchase at the exercise price upon termination of service prior to the vesting date.

Provisions Applicable to All Non-Employee Director Equity Compensation Grants

All grants shall be subject to the terms and conditions of the Company's 1997 Stock Incentive Plan or 2003 Equity Incentive Plan, as applicable, and the terms of the Stock Option Agreement issued thereunder.

For purposes of this Director Compensation Policy, the "value" for Initial Grants and Annual Grants to non-employee directors shall be determined in accordance with the Company's option valuation policy in place at the time of grant for financial reporting purposes.

Any unvested shares underlying non-employee director option grants shall become fully vested in the event of: (1) the termination of the non-employee director's services because of death, total and permanent disability or retirement at or after age 65; or (2) a change in control occurs with respect to the Company while such non-employee director is a member of the Board.

Expense Reimbursement

All non-employee directors shall be entitled to reimbursement from the Company for their reasonable travel (including airfare and ground transportation), lodging and meal expenses incident to meetings of the Board or committees thereof or in connection with other Board related business. The Company shall also reimburse directors for attendance at director continuing education programs that are relevant to their service on the Board and which attendance is pre-approved by the Chair of the Corporate Governance Committee and Chairman of the Board. The Company shall make reimbursement to a non-employee director within a reasonable amount of time following submission by the non-employee director of reasonable written substantiation for the expenses.

Amended and Restated March 14, 2013

Exhibit 10.13

Execution Version

EMPLOYMENT AGREEMENT

This Employment Agreement (the "**Agreement**") is made effective on February 22, 2013 (the "**Effective Date**") between Heska Corporation, a Delaware corporation ("**Heska**"), and Kevin S. Wilson ("**Executive**"). Heska and Executive collectively are referred to as the "**Parties**" and individually as a "**Party**."

RECITALS

WHEREFORE, Executive is currently the President and Chief Operating Officer of Heska.

WHEREFORE, Executive and Heska now wish to enter into this Agreement regarding the terms of Executive's employment, which shall become effective upon execution.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises, covenants, and agreements contained herein, the legal sufficiency of which is acknowledged by the Parties, and intending to be legally bound, the Parties agree as follows:

TERMS

1. **Duties and Scope of Employment.**

a. **Position and Duties.** As of the Effective Date, Executive will serve as President and Chief Operating Officer of Heska. Executive will render such business and professional services in the performance of Executive's duties, consistent with Executive's position within Heska, as will reasonably be assigned to Executive by Heska's Board of Directors, Chief Executive Officer or their supervisor. Executive's duties will be subject to review and adjustments will be made at the discretion of the Executive's supervisor and superiors.

b. **Obligations.** During the Term of Agreement (as defined below), Executive will devote eighty-percent (80%) of Executive's working hours attention, skills, time and business efforts to Heska. For the duration of the Term of Agreement, Executive agrees not to actively engage in any other employment, occupation, or consulting activity, for any direct or indirect remuneration, without the prior approval of the Board or the Corporate Governance Committee of the Board (which approval will not be unreasonably withheld); provided, however, that Executive may, without the approval of the Board or the Corporate Governance Committee of the Board, serve in any capacity with any civic, educational, or charitable organization, provided such services do not interfere with Executive's obligations to Heska.

2. **Term of Agreement.**

a. The period of Executive's employment under this Agreement is referred to herein as the "**Term of Agreement**." Subject to the provisions for earlier termination of employment in Section 6 below, this Agreement will have an initial term of thirty-six (36) months commencing on the Effective Date. On the 3rd anniversary of the Effective Date, and on each annual anniversary of the Effective Date thereafter, this Agreement automatically will renew for an additional twelve-month term unless Heska provides Executive with notice of non-renewal at least 120 days prior to the date of automatic renewal; provided, however, that either Heska or Executive may terminate Executive's employment immediately at any time subject to the provisions in Section 6 below.

b. Executive may be entitled to severance benefits pursuant to Section 6 below, depending upon the circumstances of Executive's termination of employment. Executive will not be entitled to severance benefits if Heska provides Executive with notice of non-renewal pursuant to Section 2(a) above, regardless of the reason. Upon the termination of Executive's employment for any reason, Executive will be entitled to payment of all accrued but unpaid compensation, vacation, expense reimbursements, and other benefits due to Executive through Executive's termination date under any Heska-provided or paid plans, policies, and arrangements. Executive agrees to resign from all positions that Executive holds with Heska, without limitation, immediately following the termination of Executive's employment if the Board so requests.

3. **Compensation.**

a. **Base Salary.** Heska will pay Executive an annual salary of $216,000 as compensation for Executive's services (the "**Base Salary**"). The Base Salary will be paid periodically in accordance with Heska's normal payroll practices and will be subject to the usual, required withholdings and deductions. Executive's salary will be subject to review, and adjustments will be made at the sole discretion of the Compensation Committee of the Board (the "**Committee**") and based upon Heska's standard practices.

b. **Annual Bonus.** During the Term of Agreement, Executive will be eligible to participate in the Management Incentive Plan (the "**Bonus Plan**"), or such other bonus programs as established by the Committee, at a target percentage that is no less than 35% of Executive's Base Salary then in effect (the "**Target Bonus**"). The actual bonus paid may be higher or lower than the Target Bonus for over or under-achievement of Executive's performance goals, as determined by the Committee in its sole discretion. Bonuses, if any, will accrue and become payable in accordance with the Committee's standard practices for paying executive incentive compensation, provided, however, that any bonus payable under this subsection will be payable within two-and-one-half (2-1/2) months after the end of the taxable year to which it relates or such longer period as may be permitted by Treasury regulations in order to avoid application of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") to such bonuses. Any bonuses paid pursuant to this Section will be subject to applicable withholdings and deductions.

4. **Expenses.** In addition to the foregoing, Heska will reimburse Executive for Executive's reasonable out-of-pocket travel, entertainment, and other expenses, in accordance with Heska's expense reimbursement policies and practices in effect at the time of the reimbursement request. Executive shall submit such requests within forty-five (45) days of incurring such expenses.

5. **Employee Benefits.** During the Term of Agreement, Executive will be eligible to participate in the benefits offered to other senior executives of Heska, in accordance with benefit plans, policies, and arrangements that may exist from time to time.

6. **Termination and Severance.**

a. **Termination without Cause or for Good Reason other than In Connection with a Change of Control.** If, at any time, Executive's employment is terminated by Heska without Cause (as defined below), by Executive for Good Reason (as defined below), or due to Executive's death or Disability (as defined below), and the termination is not In Connection with a Change of Control (as defined below), Executive will receive the following, subject to conditions and limitations set forth in Section 7:

i. A payment of an amount equal to six (6) months of Executive's Base Salary, payable in accordance with Heska's standard payroll practices over the shorter of the following periods (A) in equal installments over the period beginning on the date of such termination and ending on the six-month anniversary thereof, or (B) in equal installments on a monthly basis corresponding to the amount Executive would normally receive as salary each month if Executive were still employed with Heska, with a lump sum of any remaining balance of the amount specified above on March 15 of the year following the year of termination.

ii. Provided that Executive timely elects continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), Heska shall pay the COBRA premium for coverage for Executive and Executive's eligible dependents under Heska's Benefit Plans (as defined below) for six (6) months, or if earlier, until Executive becomes employed by another employer and eligible for coverage under such other employer's welfare benefit plans (*e.g.*, payments for medical COBRA premiums will cease when Executive becomes eligible for another employer's medical plan). For the balance of the period during which Executive and Executive's eligible dependents are entitled to coverage under COBRA, Executive shall be entitled to maintain coverage for Executive and Executive's eligible dependents at Executive's sole expense. Executive shall notify Heska immediately upon Executive's acceptance of employment with another employer.

b. **Termination without Cause or for Good Reason In Connection with a Change of Control.** If, at any time, Executive's employment is terminated by Heska without Cause or by Executive for Good Reason, and the termination is In Connection with a Change of Control (as defined below), then, subject to the limitations set forth in this Section 7, Executive will receive:

i. A payment of an amount equal to twelve (12) months of Executive's Base Salary, payable in equal installments in accordance with the standard payroll schedule over the shorter of the following periods (A) the period beginning on the date of such termination and ending on the one-year anniversary thereof, or (B) the period beginning on the date of such termination and ending on March 15 of the year following the year of termination.

ii. Provided that Executive timely elects continuation coverage under COBRA, Heska shall pay the COBRA premium for coverage for Executive and Executive's eligible dependents under Heska's Benefit Plans (as defined below) for twelve (12) months, or if earlier, until Executive becomes employed by another employer and eligible for coverage under such other employer's welfare benefit plans (*e.g.*, payments for medical COBRA premiums will cease when Executive becomes eligible for another employer's medical plan). For the balance of the period during which Executive and Executive's eligible dependents are entitled to coverage under COBRA, Executive shall be entitled to maintain coverage for Executive and Executive's eligible dependents at Executive's sole expense. Executive shall notify Heska immediately upon Executive's acceptance of employment with another employer.

c. **Termination without Good Reason; Termination for Cause.** If, at any time, Executive's employment with Heska terminates voluntarily by Executive without Good Reason or is terminated for Cause by Heska, then (i) all further vesting of Executive's outstanding equity awards will terminate immediately, (ii) all payments of compensation by Heska to Executive hereunder will terminate immediately (except as to amounts already earned), but Executive will be paid all accrued but unpaid vacation, expense reimbursements, and other benefits due to Executive through Executive's termination date under any Company-provided or paid plans, policies, and arrangements, and (iii) Executive will not be entitled to any severance.

d. **Excise Tax.** In the event that any benefits payable to Executive pursuant to Section 6 of this Agreement ("**Termination Benefits**") (i) constitute "parachute payments" within the meaning of Section 280G of the Code, or any comparable successor provisions, and (ii) but for this Section 6(d), would be subject to the excise tax imposed by Section 4999 of the Code, or any comparable successor provisions (the "**Excise Tax**"), then Executive's Termination Benefits hereunder shall be either (A) provided to Executive in full, or (B) provided to Executive as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax, whichever of the foregoing amounts, when taking into account applicable federal, state, local, and foreign income and employment taxes, the Excise Tax, and any other applicable taxes, results in the receipt by Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Tax. Unless Heska and Executive otherwise agree in writing, any determination required under this Section 6(d) shall be made in writing in good faith by Heska's independent accountants. In the event of a reduction of benefits hereunder, Executive shall be given the choice of which benefits to reduce. If Executive does not provide written identification to Heska of which benefits Executive chooses to reduce within ten (10) days after written notice of the accountants' determination, and Executive has not disputed the accountants' determination, then Heska shall select the benefits to be reduced. For purposes of making the calculations required by this Section 6(d), the accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code and other applicable legal authority. Heska and Executive shall furnish to the accountants such information and documents as the accountants may reasonably request in order to make a determination under this Section 6(d). Heska shall bear all costs the accountants may reasonably incur in connection with any calculations contemplated by this Section 6(d).

7. **Conditions to Receipt of Severance; No Duty to Mitigate.**

a. **Separation Agreement and Release of Claims.** The receipt of any severance pursuant to Section 6 will be subject to Executive signing and not revoking a confidential separation agreement and release of claims in a form reasonably acceptable to Heska. Such agreement will provide (among other things) that Executive will not disparage Heska, its affiliates, parents, subsidiaries, directors, executive officers, employees, agents, or representatives. No severance will be paid or provided until the confidential separation agreement and release agreement becomes effective. No severance will be paid or provided if the Executive's confidential separation agreement and release agreement is not signed and irrevocable within forty-five (45) days after the Executive's termination date.

b. **Non-Competition.** In the event of a termination of Executive's employment that would entitle Executive to the receipt of severance pursuant to Sections 6(a) or 6(b), Executive agrees not to engage in Competition (as defined below) for twelve (12) months following the termination date. The geographic scope of this Section 7(b) is the United States of America. If Executive engages in Competition within such period, all continuing payments and benefits to which Executive otherwise may be entitled pursuant to Section 6 will cease immediately.

c. **Non-Solicitation.** In the event of a termination of Executive's employment that would entitle Executive to the receipt of severance pursuant to Sections 6(a) or 6(b), Executive agrees that, for twenty-four (24) months following the termination date, Executive, directly or indirectly, whether as employee, owner, sole proprietor, partner, director, member, consultant, agent, founder, co-venturer, or otherwise, (i) will not solicit, induce, or influence any person to modify his or her employment or consulting relationship with Heska (the "**No-Inducement**"), and (ii) not intentionally divert business away from Heska by soliciting business from any of Heska's customers and users who would otherwise have placed the solicited order with Heska (the "**No Solicit**"). The geographic scope of this Section 7(c) is the United States of America. If Executive breaches the No-Inducement or No Solicit, all continuing payments and benefits to which Executive otherwise may be entitled pursuant to Section 6 will cease immediately.

d. **Remedies.** In the event of Executive's breach of Sections 7(b) or 7(c), Heska shall have any and all remedies available to it in law or in equity, including without limitation the right to seek recovery of any amounts paid under Section 6 of this Agreement and injunctive relief, specific performance, or any other equitable relief to prevent a breach and to secure the enforcement of this Section. Injunctive relief may be granted immediately upon the commencement of any such action, and Heska need not post a bond to obtain temporary or permanent injunctive relief.

8. **Definitions.**

a. **Benefit Plans.** For purposes of this Agreement, "**Benefit Plans**" means plans, policies, or arrangements that Heska sponsors (or participates in) and that immediately prior to Executive's termination of employment provide Executive and Executive's eligible dependents with medical, dental, or vision benefits. Benefit Plans do not include any other type of benefit (including, but not limited to, financial counseling, disability, life insurance, or retirement benefits). A requirement that Heska provide Executive and Executive's eligible dependents with coverage under the Benefit Plans will not be satisfied unless the coverage is no less favorable than that provided to Executive and Executive's eligible dependents immediately prior to Executive's termination of employment.

b. **Cause.** For purposes of this Agreement, "**Cause**" shall mean the occurrence of one or more of the following: (i) conviction of, or an entry of a plea of *nolo contendere* to, any crime (including one involving moral turpitude), whether a felony or misdemeanor, or any crime which reflects so negatively on Heska to be detrimental to Heska's image or interests, or any act of fraud or dishonesty that has such negative reflection upon Heska; (ii) the repeated commitment of insubordination or refusal to comply with any reasonable request of the Board of Directors or other superior related to the scope or performance of Executive's duties; (iii) possession of any illegal drug on Heska premises or being under the influence of illegal drugs or abusing prescription drugs or alcohol while on Heska business, attending Heska-sponsored functions, or on Heska premises; (iv) the gross misconduct or gross negligence in the performance of Executive's responsibilities which, based upon good faith and reasonable factual investigation of the Board, demonstrates Executive's unfitness to serve; (v) material breach of Executive's obligations under this Agreement; or (vi) material breach of any fiduciary duty of Executive to Heska, which results in material damage to Heska or its business; provided, however, that if any occurrence under subsections (ii), (iv), (v), and (vi) may be cured, Heska will provide notice to Executive describing the nature of such event and Executive will thereafter have thirty (30) days to cure such event, and if such event is cured with that 30-day period, then grounds will no longer exist for terminating Executive's employment for Cause.

c. **Change of Control.** For purposes of this Agreement, "**Change of Control**" means (i) a sale of all or substantially all of Heska's assets, (ii) any merger, consolidation, or other business combination transaction of Heska with or into another corporation, entity, or person, other than a transaction in which the holders of at least a majority of the shares of voting capital stock of Heska outstanding immediately prior to such transaction continue to hold (either by such shares remaining outstanding or by their being converted into shares of voting capital stock of the surviving entity) a majority of the total voting power represented by the shares of voting capital stock of Heska (or the surviving entity) outstanding immediately after such transaction, (iii) the direct or indirect acquisition (including by way of a tender or exchange offer) by any person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the then outstanding shares of capital stock of Heska, (iv) a contested election of Directors, as a result of which or in connection with which the persons who were Directors before such election or their nominees cease to constitute a majority of the Board, or (v) a dissolution or liquidation of Heska.

d. **Competition.** For purposes of this Agreement, Executive will be deemed to have engaged in "**Competition**" if Executive, without the written consent of the Board or an authorized officer of any successor company to Heska, directly or indirectly (1) provides services or assistance in any form to any individual, entity, or company providing veterinary products for the companion animal health industry or imaging products or services for the veterinary market (a "Restricted Company"), whether such services or assistance is provided as an employee, consultant, agent, corporate officer, director, or otherwise or (2) participates in the financing, operation, management, or control of, a Restricted Company. A Restricted Company includes, without limitation, Abaxis, Inc., IDEXX Laboratories, Inc., scil animal health company GmbH, Sound Technologies, Inc. (currently a wholly owned subsidiary of VCA Antech, Inc.), and Synbiotics Corporation (currently a wholly owned subsidiary of Pfizer). Notwithstanding the foregoing, nothing contained in this Section 8(d) or in Section 7(b) above shall prohibit Executive from being employed or engaged in a corporate function or senior management position (and holding commensurate equity interests) in a division of a Restricted Company, so long as such division is not in any way engaged in providing veterinary products for the companion animal health industry or imaging products or services for the veterinary market and Executive does not directly or indirectly provide services or assistance to any division that does provide veterinary products for the companion animal health industry or imaging products or services for the veterinary market.

e. **Disability.** For purposes of this Agreement, "**Disability**" shall mean that, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, the Executive either (i) is unable to engage in any gainful activity, or (ii) is receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Heska employees.

f. **Good Reason.**

i. For purposes of this Agreement, "**Good Reason**" means the occurrence of any of the following without Executive's express written consent:

A. Executive's authority with Heska is, or Executive's duties or responsibilities as President and Chief Operating Officer are, materially diminished relative to Executive's authority, duties, and responsibilities as in effect immediately prior to such change;

B. a material diminution in Executive's Base Salary as in effect immediately prior to such diminution; provided, that an across-the-board reduction in the base compensation and benefits of all other executive officers of Heska by the same percentage amount (or under the same terms and conditions) as part of a general base compensation reduction and/or benefit reduction shall not constitute such a qualifying material diminution;

C. a material change in the geographic location of Executive's principal place of employment such that the new location results in a commute for Executive that is both (A) longer than Executive's commute prior to the relocation and (B) greater than fifty (50) road miles each way from Executive's home in the Beaver Creek, Colorado area;

D. any material breach by Heska of any provision of this Agreement; and

E. any acquiring company fails to assume or be bound by the terms of this Agreement In Connection with a Change of Control;

ii. The aforementioned occurrences shall not be deemed Good Reason unless Executive gives Heska written notice of the existence of the condition which Executive believes constitutes Good Reason (which notice must be given within ninety (90) days of the initial existence of the condition) and such condition remains uncured for a period of thirty (30) days after the date of such notice. An event of Good Reason shall occur automatically at the expiration of such 30-day period if the relevant condition remains uncured at such time.

g. **In Connection with a Change of Control.** For purposes of this Agreement, a termination of Executive's employment with Heska is "**In Connection with a Change of Control**" if Executive's employment is terminated without Cause or for Good Reason during the period beginning three (3) months prior to a Change of Control and ending eighteen (18) months following a Change of Control.

9. **Confidential Information.** Executive acknowledges that Executive has executed Heska's standard employee Confidential Information and Invention Agreement (the "**Confidentiality Agreement**"). During the Term of Agreement, and for twenty-four (24) months after termination of Executive's employment, Executive agrees, if requested by Heska, to execute any updated versions of Heska's form of employee confidential information agreement as may be required of substantially all of Heska's executive officers.

10. **Executive's Representations and Warranties.** Executive represents and warrants that Executive is not a party to any other employment, non-competition, or other agreement or restriction which could interfere with the Executive's employment with Heska or Executive's or Heska's rights and obligations hereunder and that Executive's acceptance of employment with Heska and the performance of Executive's duties hereunder will not breach the provisions of any contract, agreement, or understanding to which the Executive is party or any duty owed by the Executive to any other person.

11. **Notices.** All notices, requests, demands, and other communications called for hereunder will be in writing and will be deemed given (a) on the date of delivery if delivered personally, (b) one (1) day after being delivered through a nationally recognized overnight courier service, or (c) five (5) business days after the date of mailing if sent certified or registered mail. Notice to Heska shall be sent to its principal place of business with a copy provided by facsimile to the Chair of the Committee, and notice to Executive will be delivered personally or sent to Executive's last known address provided to Heska.

12. **Successors and Assigns.** This Agreement will be binding upon and inure to the benefit of (a) the heirs, executors, and legal representatives of Executive upon Executive's death and (b) any successor of Heska. Any such Successor (as defined below) of Heska will be deemed substituted for Heska under the terms of this Agreement for all purposes. For purposes of this Section, "**Successor**" means any person, firm, corporation, or other business entity which at any time, whether by purchase, merger, or otherwise, directly or indirectly, acquires all or substantially all of the assets or business of Heska. None of the rights of Executive to receive any form of compensation payable pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance, or other disposition of Executive's right to compensation or other benefits will be null and void.

13. **Integration.** This Agreement, together with the Confidentiality Agreement, Heska's stock plans, and Executive's stock option and restricted stock agreements, represents the entire agreement and understanding between the Parties as to the subject matter herein and supersedes all prior or contemporaneous agreements whether written or oral, including the Prior Agreement. No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless in a writing that specifically references this Section and is signed by duly authorized representatives of the Parties hereto.

14. **Interpretation.** Article titles and section headings contained herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. The determination of the terms of, and the drafting of, this Agreement has been by mutual agreement after negotiation, with consideration by and participation of all Parties. Accordingly, the Parties agree that rules relating to the interpretation of contracts against the drafter of any particular clause shall not apply in the case of this Agreement.

15. **Waivers.** Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the Party or Parties entitled to the benefit thereof. Any such waiver shall be validly and sufficiently authorized for the purposes of this Agreement if, as to any Party, it is authorized in writing by an authorized representative of such Party. The failure of any Party hereto to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

16. **Severability.** If any provision of this Agreement is held illegal, invalid, or unenforceable, such holding shall not affect any other provisions hereof. In the event any provision is held illegal, invalid, or unenforceable, such provision shall be limited so as to give effect to the intent of the Parties to the fullest extent permitted by applicable law. Any claim by Executive against Heska shall not constitute a defense to enforcement by Heska.

17. **Tax Matters.**

a. Except as provided in Section 6(d) above, Executive agrees that Executive is responsible for any applicable taxes of any nature (including any penalties or interest that may apply to such taxes) that are reasonably determined to apply to any payment made to Executive hereunder (or any arrangement contemplated hereunder), that Executive's receipt of any benefit hereunder is conditioned on Executive's satisfaction of any applicable withholding or similar obligations that apply to such benefit, and that any cash payment owed to Executive hereunder will be reduced to satisfy any such withholding or similar obligations that may apply thereto.

b. Executive acknowledges that no representative or agent of Heska has provided Executive with any tax advice of any nature, and Executive has consulted with Executive's own legal, tax, and financial advisor(s) as to tax and related matters concerning the compensation to be received under this Agreement.

18. **Section 409A.**

a. This Agreement is intended to comply with Section 409A of the Code, as amended ("**Section 409A**") and shall be construed accordingly. It is the intention of the parties that payments or benefits payable under this Agreement not be subject to the additional tax or interest imposed pursuant to Section 409A. To the extent such potential payments or benefits are or could become subject to Section 409A, the parties shall cooperate to amend this Agreement with the goal of giving Executive the economic benefits described herein in a manner that does not result in such tax or interest being imposed; provided, however, that no such amendment shall materially increase the cost to, or impose any liability on Heska with respect to any benefits contemplated or provided hereunder. Executive shall, at the request of Heska, take any reasonable action (or refrain from taking any action), required to comply with any correction procedure promulgated pursuant to Section 409A.

b. If a payment that could be made under this Agreement would be subject to additional taxes and interest under Section 409A, Heska in its sole discretion may accelerate some or all of a payment otherwise payable under the Agreement to the time at which such amount is includible in the income of Executive, provided that such acceleration shall only be permitted to the extent permitted under Treasury Regulation § 1.409A-3(j)(4)(vii) and the amount of such acceleration does not exceed the amount permitted under Treasury Regulation § 1.409A-3(j)(vii).

c. No payment to be made under this Agreement shall be made at a time earlier than that provided for in this Agreement unless such payment is (i) an acceleration of payment permitted to be made under Treasury Regulation § 1.409A-3(j)(4) or (ii) a payment that would otherwise not be subject to additional taxes and interest under Section 409A.

d. The right to each payment described in this Agreement shall be treated as a right to a series of separate payments and a separately identifiable payment for purposes of Section 409A.

e. For purposes of Section 6 of this Agreement, "termination" (or any similar term) when used in reference to Executive's employment shall mean "separation from service" with Heska within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder, and Executive shall be considered to have terminated employment with Heska when, and only when, Executive incurs a "separation from service" with Heska within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder.

f. If Executive qualifies as a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code and would receive any payment sooner than six (6) months after Executive's separation from service that, absent the application of this Section 19(f), would be subject to additional tax imposed pursuant to Section 409A as a result of such status as a specified employee, then such payment shall instead be payable on the date that is the earliest of (i) six (6) months after Executive's separation from service, (ii) Executive's death, or (iii) such other date as will not result in such payment being subject to such additional tax.

19. **Governing Law; Waiver of Jury Trial.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Colorado without regard to conflict of law principles. The Parties hereto each waive their respective rights to a jury trial of any and all such claims and causes of action.

20. **Counterparts.** This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

[*signature page follows*]

IN WITNESS WHEREOF, Heska has caused this Employment Agreement to be duly executed by an officer thereunto duly authorized, and Executive has hereunto set Executive's hand, all as of the day and year first above written.

HESKA CORPORATION

/s/ Robert B. Grieve

Robert B. Grieve, Ph.D.
Chairman of the Board and Chief Executive Officer

EXECUTIVE:

/s/ Kevin S. Wilson

Kevin S. Wilson
President and Chief Operating Officer

Exhibit 10.22

Execution Version

EMPLOYMENT AGREEMENT

This Employment Agreement (the "**Agreement**") is made effective on February 22, 2013 (the "**Effective Date**") between Heska Corporation, a Delaware corporation ("**Heska**"), and Steve Asakowicz ("**Executive**"). Heska and Executive collectively are referred to as the "**Parties**" and individually as a "**Party**."

RECITALS

WHEREFORE, Executive is currently the Executive Vice President, Companion Animal Health Sales of Heska.

WHEREFORE, Executive and Heska now wish to enter into this Agreement regarding the terms of Executive's employment, which shall become effective upon execution.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises, covenants, and agreements contained herein, the legal sufficiency of which is acknowledged by the Parties, and intending to be legally bound, the Parties agree as follows:

TERMS

1. **Duties and Scope of Employment.**

a. **Position and Duties.** As of the Effective Date, Executive will serve as Executive Vice President, Companion Animal Health Sales of Heska. Executive will render such business and professional services in the performance of Executive's duties, consistent with Executive's position within Heska, as will reasonably be assigned to Executive by Heska's Board of Directors, Chief Executive Officer, President or their supervisor. Executive's duties will be subject to review and adjustments will be made at the discretion of the Executive's supervisor and superiors.

b. **Obligations.** During the Term of Agreement (as defined below), Executive will devote Executive's full attention, skills, time and business efforts to Heska. For the duration of the Term of Agreement, Executive agrees not to actively engage in any other employment, occupation, or consulting activity, for any direct or indirect remuneration, without the prior approval of the Board or the Corporate Governance Committee of the Board (which approval will not be unreasonably withheld); provided, however, that Executive may, without the approval of the Board or the Corporate Governance Committee of the Board, serve in any capacity with any civic, educational, or charitable organization, provided such services do not interfere with Executive's obligations to Heska.

2. **Term of Agreement.**

a. The period of Executive's employment under this Agreement is referred to herein as the "**Term of Agreement**." Subject to the provisions for earlier termination of employment in Section 6 below, this Agreement will have an initial term of thirty-six (36) months commencing on the Effective Date. On the 3rd anniversary of the Effective Date, and on each annual anniversary of the Effective Date thereafter, this Agreement automatically will renew for an additional twelve-month term unless Heska provides Executive with notice of non-renewal at least 120 days prior to the date of automatic renewal; provided, however, that either Heska or Executive may terminate Executive's employment immediately at any time subject to the provisions in Section 6 below.

b. Executive may be entitled to severance benefits pursuant to Section 6 below, depending upon the circumstances of Executive's termination of employment. Executive will not be entitled to severance benefits if Heska provides Executive with notice of non-renewal pursuant to Section 2(a) above, regardless of the reason. Upon the termination of Executive's employment for any reason, Executive will be entitled to payment of all accrued but unpaid compensation, vacation, expense reimbursements, and other benefits due to Executive through Executive's termination date under any Heska-provided or paid plans, policies, and arrangements. Executive agrees to resign from all positions that Executive holds with Heska, without limitation, immediately following the termination of Executive's employment if the Board so requests.

3. **Compensation.**

a. **Base Salary.** Heska will pay Executive an annual salary of $175,000 as compensation for Executive's services (the "**Base Salary**"). The Base Salary will be paid periodically in accordance with Heska's normal payroll practices and will be subject to the usual, required withholdings and deductions. Executive's salary will be subject to review, and adjustments will be made at the sole discretion of the Compensation Committee of the Board (the "**Committee**") and based upon Heska's standard practices.

b. **Annual Bonus.** During the Term of Agreement, Executive will be eligible to participate in the Management Incentive Plan (the "**Bonus Plan**"), or such other bonus programs as established by the Committee, at a target percentage that is no less than 35% of Executive's Base Salary then in effect (the "**Target Bonus**"). The actual bonus paid may be higher or lower than the Target Bonus for over or under-achievement of Executive's performance goals, as determined by the Committee in its sole discretion. Bonuses, if any, will accrue and become payable in accordance with the Committee's standard practices for paying executive incentive compensation, provided, however, that any bonus payable under this subsection will be payable within two-and-one-half (2-1/2) months after the end of the taxable year to which it relates or such longer period as may be permitted by Treasury regulations in order to avoid application of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") to such bonuses. Any bonuses paid pursuant to this Section will be subject to applicable withholdings and deductions. In addition, Executive will be eligible for variable performance commissions for successful sales revenue and margin achievement, targeted, to be earned under separate schedule, from between $50,000 and $125,000.

4. **Expenses.** In addition to the foregoing, Heska will reimburse Executive for Executive's reasonable out-of-pocket travel, entertainment, and other expenses, in accordance with Heska's expense reimbursement policies and practices in effect at the time of the reimbursement request. Executive shall submit such requests within forty-five (45) days of incurring such expenses.

5. **Employee Benefits.** During the Term of Agreement, Executive will be eligible to participate in the benefits offered to other senior executives of Heska, in accordance with benefit plans, policies, and arrangements that may exist from time to time.

6. **Termination and Severance.**

a. **Termination without Cause or for Good Reason other than In Connection with a Change of Control.** If, at any time, Executive's employment is terminated by Heska without Cause (as defined below), by Executive for Good Reason (as defined below), or due to Executive's death or Disability (as defined below), and the termination is not In Connection with a Change of Control (as defined below), Executive will receive the following, subject to conditions and limitations set forth in Section 7:

i. A payment of an amount equal to six (6) months of Executive's Base Salary, payable in accordance with Heska's standard payroll practices over the shorter of the following periods (A) in equal installments over the period beginning on the date of such termination and ending on the six-month anniversary thereof, or (B) in equal installments on a monthly basis corresponding to the amount Executive would normally receive as salary each month if Executive were still employed with Heska, with a lump sum of any remaining balance of the amount specified above on March 15 of the year following the year of termination.

ii. Provided that Executive timely elects continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), Heska shall pay the COBRA premium for coverage for Executive and Executive's eligible dependents under Heska's Benefit Plans (as defined below) for six (6) months, or if earlier, until Executive becomes employed by another employer and eligible for coverage under such other employer's welfare benefit plans (*e.g.*, payments for medical COBRA premiums will cease when Executive becomes eligible for another employer's medical plan). For the balance of the period during which Executive and Executive's eligible dependents are entitled to coverage under COBRA, Executive shall be entitled to maintain coverage for Executive and Executive's eligible dependents at Executive's sole expense. Executive shall notify Heska immediately upon Executive's acceptance of employment with another employer.

b. **Termination without Cause or for Good Reason In Connection with a Change of Control.** If, at any time, Executive's employment is terminated by Heska without Cause or by Executive for Good Reason, and the termination is In Connection with a Change of Control (as defined below), then, subject to the limitations set forth in this Section 7, Executive will receive:

i. A payment of an amount equal to twelve (12) months of Executive's Base Salary, payable in equal installments in accordance with the standard payroll schedule over the shorter of the following periods (A) the period beginning on the date of such termination and ending on the one-year anniversary thereof, or (B) the period beginning on the date of such termination and ending on March 15 of the year following the year of termination.

ii. Provided that Executive timely elects continuation coverage under COBRA, Heska shall pay the COBRA premium for coverage for Executive and Executive's eligible dependents under Heska's Benefit Plans (as defined below) for twelve (12) months, or if earlier, until Executive becomes employed by another employer and eligible for coverage under such other employer's welfare benefit plans (*e.g.*, payments for medical COBRA premiums will cease when Executive becomes eligible for another employer's medical plan). For the balance of the period during which Executive and Executive's eligible dependents are entitled to coverage under COBRA, Executive shall be entitled to maintain coverage for Executive and Executive's eligible dependents at Executive's sole expense. Executive shall notify Heska immediately upon Executive's acceptance of employment with another employer.

c. **Termination without Good Reason; Termination for Cause.** If, at any time, Executive's employment with Heska terminates voluntarily by Executive without Good Reason or is terminated for Cause by Heska, then (i) all further vesting of Executive's outstanding equity awards will terminate immediately, (ii) all payments of compensation by Heska to Executive hereunder will terminate immediately (except as to amounts already earned), but Executive will be paid all accrued but unpaid vacation, expense reimbursements, and other benefits due to Executive through Executive's termination date under any Company-provided or paid plans, policies, and arrangements, and (iii) Executive will not be entitled to any severance.

d. **Excise Tax.** In the event that any benefits payable to Executive pursuant to Section 6 of this Agreement ("**Termination Benefits**") (i) constitute "parachute payments" within the meaning of Section 280G of the Code, or any comparable successor provisions, and (ii) but for this Section 6(d), would be subject to the excise tax imposed by Section 4999 of the Code, or any comparable successor provisions (the "**Excise Tax**"), then Executive's Termination Benefits hereunder shall be either (A) provided to Executive in full, or (B) provided to Executive as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax, whichever of the foregoing amounts, when taking into account applicable federal, state, local, and foreign income and employment taxes, the Excise Tax, and any other applicable taxes, results in the receipt by Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Tax. Unless Heska and Executive otherwise agree in writing, any determination required under this Section 6(d) shall be made in writing in good faith by Heska's independent accountants. In the event of a reduction of benefits hereunder, Executive shall be given the choice of which benefits to reduce. If Executive does not provide written identification to Heska of which benefits Executive chooses to reduce within ten (10) days after written notice of the accountants' determination, and Executive has not disputed the accountants' determination, then Heska shall select the benefits to be reduced. For purposes of making the calculations required by this Section 6(d), the accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code and other applicable legal authority. Heska and Executive shall furnish to the accountants such information and documents as the accountants may reasonably request in order to make a determination under this Section 6(d). Heska shall bear all costs the accountants may reasonably incur in connection with any calculations contemplated by this Section 6(d).

7. **Conditions to Receipt of Severance; No Duty to Mitigate.**

a. **Separation Agreement and Release of Claims.** The receipt of any severance pursuant to Section 6 will be subject to Executive signing and not revoking a confidential separation agreement and release of claims in a form reasonably acceptable to Heska. Such agreement will provide (among other things) that Executive will not disparage Heska, its affiliates, parents, subsidiaries, directors, executive officers, employees, agents, or representatives. No severance will be paid or provided until the confidential separation agreement and release agreement becomes effective. No severance will be paid or provided if the Executive's confidential separation agreement and release agreement is not signed and irrevocable within forty-five (45) days after the Executive's termination date.

b. **Non-Competition.** In the event of a termination of Executive's employment that would entitle Executive to the receipt of severance pursuant to Sections 6(a) or 6(b), Executive agrees not to engage in Competition (as defined below) for twelve (12) months following the termination date. The geographic scope of this Section 7(b) is the United States of America. If Executive engages in Competition within such period, all continuing payments and benefits to which Executive otherwise may be entitled pursuant to Section 6 will cease immediately.

c. **Non-Solicitation.** In the event of a termination of Executive's employment that would entitle Executive to the receipt of severance pursuant to Sections 6(a) or 6(b), Executive agrees that, for twenty-four (24) months following the termination date, Executive, directly or indirectly, whether as employee, owner, sole proprietor, partner, director, member, consultant, agent, founder, co-venturer, or otherwise, (i) will not solicit, induce, or influence any person to modify his or her employment or consulting relationship with Heska (the "**No-Inducement**"), and (ii) not intentionally divert business away from Heska by soliciting business from any of Heska's customers and users who would otherwise have placed the solicited order with Heska (the "**No Solicit**"). The geographic scope of this Section 7(c) is the United States o f America. If Executive breaches the No-Inducement or No Solicit, all continuing payments and benefits to which Executive otherwise may be entitled pursuant to Section 6 will cease immediately.

d. **Remedies.** In the event of Executive's breach of Sections 7(b) or 7(c), Heska shall have any and all remedies available to it in law or in equity, including without limitation the right to seek recovery of any amounts paid under Section 6 of this Agreement and injunctive relief, specific performance, or any other equitable relief to prevent a breach and to secure the enforcement of this Section. Injunctive relief may be granted immediately upon the commencement of any such action, and Heska need not post a bond to obtain temporary or permanent injunctive relief.

8. **Definitions.**

a. **Benefit Plans.** For purposes of this Agreement, "**Benefit Plans**" means plans, policies, or arrangements that Heska sponsors (or participates in) and that immediately prior to Executive's termination of employment provide Executive and Executive's eligible dependents with medical, dental, or vision benefits. Benefit Plans do not include any other type of benefit (including, but not limited to, financial counseling, disability, life insurance, or retirement benefits). A requirement that Heska provide Executive and Executive's eligible dependents with coverage under the Benefit Plans will not be satisfied unless the coverage is no less favorable than that provided to Executive and Executive's eligible dependents immediately prior to Executive's termination of employment.

b. **Cause.** For purposes of this Agreement, "**Cause**" shall mean the occurrence of one or more of the following: (i) conviction of, or a entry of a plea of *nolo contendere* to, any crime (including one involving moral turpitude), whether a felony or misdemeanor, or any crime which reflects so negatively on Heska to be detrimental to Heska's image or interests, or any act of fraud or dishonesty that has such negative reflection upon Heska; (ii) the repeated commitment of insubordination or refusal to comply with any reasonable request of the Board of Directors or other superior related to the scope or performance of Executive's duties; (iii) possession of any illegal drug on Heska premises or being under the influence of illegal drugs or abusing prescription drugs or alcohol while on Heska business, attending Heska-sponsored functions, or on Heska premises; (iv) the gross misconduct or gross negligence in the performance of Executive's responsibilities which, based upon good faith and reasonable factual investigation of the Board, demonstrates Executive's unfitness to serve; (v) material breach of Executive's obligations under this Agreement; or (vi) material breach of any fiduciary duty of Executive to Heska, which results in material damage to Heska or its business; provided, however, that if any occurrence under subsections (ii), (iv), (v), and (vi) may be cured, Heska will provide notice to Executive describing the nature of such event and Executive will thereafter have thirty (30) days to cure such event, and if such event is cured with that 30-day period, then grounds will no longer exist for terminating Executive's employment for Cause.

c. **Change of Control.** For purposes of this Agreement, "**Change of Control**" means (i) a sale of all or substantially all of Heska's assets, (ii) any merger, consolidation, or other business combination transaction of Heska with or into another corporation, entity, or person, other than a transaction in which the holders of at least a majority of the shares of voting capital stock of Heska outstanding immediately prior to such transaction continue to hold (either by such shares remaining outstanding or by their being converted into shares of voting capital stock of the surviving entity) a majority of the total voting power represented by the shares of voting capital stock of Heska (or the surviving entity) outstanding immediately after such transaction, (iii) the direct or indirect acquisition (including by way of a tender or exchange offer) by any person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the then outstanding shares of capital stock of Heska, (iv) a contested election of Directors, as a result of which or in connection with which the persons who were Directors before such election or their nominees cease to constitute a majority of the Board, or (v) a dissolution or liquidation of Heska.

d. **Competition.** For purposes of this Agreement, Executive will be deemed to have engaged in "**Competition**" if Executive, without the written consent of the Board or an authorized officer of any successor company to Heska, directly or indirectly (1) provides services or assistance in any form to any individual, entity, or company providing veterinary products for the companion animal health industry or imaging products or services for the veterinary market (a "Restricted Company"), whether such services or assistance is provided as an employee, consultant, agent, corporate officer, director, or otherwise or (2) participates in the financing, operation, management, or control of, a Restricted Company. A Restricted Company includes, without limitation, Abaxis, Inc., IDEXX Laboratories, Inc., scil animal health company GmbH, Sound Technologies, Inc. (currently a wholly owned subsidiary of VCA Antech, Inc.), and Synbiotics Corporation (currently a wholly owned subsidiary of Pfizer). Notwithstanding the foregoing, nothing contained in this Section 8(d) or in Section 7(b) above shall prohibit Executive from being employed or engaged in a corporate function or senior management position (and holding commensurate equity interests) in a division of a Restricted Company, so long as such division is not in any way engaged in providing veterinary products for the companion animal health industry or imaging products or services for the veterinary market and Executive does not directly or indirectly provide services or assistance to any division that does provide veterinary products for the companion animal health industry or imaging products or services for the veterinary market.

e. **Disability.** For purposes of this Agreement, "**Disability**" shall mean that, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, the Executive either (i) is unable to engage in any gainful activity, or (ii) is receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Heska employees.

f. **Good Reason.**

i. For purposes of this Agreement, "**Good Reason**" means the occurrence of any of the following without Executive's express written consent:

A. Executive's authority with Heska is, or Executive's duties or responsibilities as Executive Vice President, Companion Animal Health Sales are, materially diminished relative to Executive's authority, duties, and responsibilities as in effect immediately prior to such change;

B. a material diminution in Executive's Base Salary as in effect immediately prior to such diminution; provided, that an across-the-board reduction in the base compensation and benefits of all other executive officers of Heska by the same percentage amount (or under the same terms and conditions) as part of a general base compensation reduction and/or benefit reduction shall not constitute such a qualifying material diminution;

C. a material change in the geographic location of Executive's principal place of employment such that the new location results in a commute for Executive that is both (A) longer than Executive's commute prior to the relocation and (B) greater than fifty (50) road miles each way from Executive's home in the San Clemente, California area;

D. any material breach by Heska of any provision of this Agreement; and

E. any acquiring company fails to assume or be bound by the terms of this Agreement In Connection with a Change of Control;

ii. The aforementioned occurrences shall not be deemed Good Reason unless Executive gives Heska written notice of the existence of the condition which Executive believes constitutes Good Reason (which notice must be given within ninety (90) days of the initial existence of the condition) and such condition remains uncured for a period of thirty (30) days after the date of such notice. An event of Good Reason shall occur automatically at the expiration of such 30-day period if the relevant condition remains uncured at such time.

g. **In Connection with a Change of Control.** For purposes of this Agreement, a termination of Executive's employment with Heska is "**In Connection with a Change of Control**" if Executive's employment is terminated without Cause or for Good Reason during the period beginning three (3) months prior to a Change of Control and ending eighteen (18) months following a Change of Control.

9. **Confidential Information.** Executive acknowledges that Executive has executed Heska's standard employee Confidential Information and Invention Agreement (the "**Confidentiality Agreement**"). During the Term of Agreement, and for twenty-four (24) months after termination of Executive's employment, Executive agrees, if requested by Heska, to execute any updated versions of Heska's form of employee confidential information agreement as may be required of substantially all of Heska's executive officers.

10. **Executive's Representations and Warranties.** Executive represents and warrants that Executive is not a party to any other employment, non-competition, or other agreement or restriction which could interfere with the Executive's employment with Heska or Executive's or Heska's rights and obligations hereunder and that Executive's acceptance of employment with Heska and the performance of Executive's duties hereunder will not breach the provisions of any contract, agreement, or understanding to which the Executive is party or any duty owed by the Executive to any other person.

11. **Notices.** All notices, requests, demands, and other communications called for hereunder will be in writing and will be deemed given (a) on the date of delivery if delivered personally, (b) one (1) day after being delivered through a nationally recognized overnight courier service, or (c) five (5) business days after the date of mailing if sent certified or registered mail. Notice to Heska shall be sent to its principal place of business with a copy provided by facsimile to the Chair of the Committee, and notice to Executive will be delivered personally or sent to Executive's last known address provided to Heska.

12. **Successors and Assigns.** This Agreement will be binding upon and inure to the benefit of (a) the heirs, executors, and legal representatives of Executive upon Executive's death and (b) any successor of Heska. Any such Successor (as defined below) of Heska will be deemed substituted for Heska under the terms of this Agreement for all purposes. For purposes of this Section, "**Successor**" means any person, firm, corporation, or other business entity which at any time, whether by purchase, merger, or otherwise, directly or indirectly, acquires all or substantially all of the assets or business of Heska. None of the rights of Executive to receive any form of compensation payable pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance, or other disposition of Executive's right to compensation or other benefits will be null and void.

13. **Integration.** This Agreement, together with the Confidentiality Agreement, Heska's stock plans, and Executive's stock option and restricted stock agreements, represents the entire agreement and understanding between the Parties as to the subject matter herein and supersedes all prior or contemporaneous agreements whether written or oral, including the Prior Agreement. No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless in a writing that specifically references this Section and is signed by duly authorized representatives of the Parties hereto.

14. **Interpretation.** Article titles and section headings contained herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. The determination of the terms of, and the drafting of, this Agreement has been by mutual agreement after negotiation, with consideration by and participation of all Parties. Accordingly, the Parties agree that rules relating to the interpretation of contracts against the drafter of any particular clause shall not apply in the case of this Agreement.

15. **Waivers.** Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the Party or Parties entitled to the benefit thereof. Any such waiver shall be validly and sufficiently authorized for the purposes of this Agreement if, as to any Party, it is authorized in writing by an authorized representative of such Party. The failure of any Party hereto to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

16. **Severability.** If any provision of this Agreement is held illegal, invalid, or unenforceable, such holding shall not affect any other provisions hereof. In the event any provision is held illegal, invalid, or unenforceable, such provision shall be limited so as to give effect to the intent of the Parties to the fullest extent permitted by applicable law. Any claim by Executive against Heska shall not constitute a defense to enforcement by Heska.

17. **Tax Matters.**

a. Except as provided in Section 6(d) above, Executive agrees that Executive is responsible for any applicable taxes of any nature (including any penalties or interest that may apply to such taxes) that are reasonably determined to apply to any payment made to Executive hereunder (or any arrangement contemplated hereunder), that Executive's receipt of any benefit hereunder is conditioned on Executive's satisfaction of any applicable withholding or similar obligations that apply to such benefit, and that any cash payment owed to Executive hereunder will be reduced to satisfy any such withholding or similar obligations that may apply thereto.

b. Executive acknowledges that no representative or agent of Heska has provided Executive with any tax advice of any nature, and Executive has consulted with Executive's own legal, tax, and financial advisor(s) as to tax and related matters concerning the compensation to be received under this Agreement.

18. **Section 409A.**

a. This Agreement is intended to comply with Section 409A of the Code, as amended ("**Section 409A**") and shall be construed accordingly. It is the intention of the parties that payments or benefits payable under this Agreement not be subject to the additional tax or interest imposed pursuant to Section 409A. To the extent such potential payments or benefits are or could become subject to Section 409A, the parties shall cooperate to amend this Agreement with the goal of giving Executive the economic benefits described herein in a manner that does not result in such tax or interest being imposed; provided, however, that no such amendment shall materially increase the cost to, or impose any liability on Heska with respect to any benefits contemplated or provided hereunder. Executive shall, at the request of Heska, take any reasonable action (or refrain from taking any action), required to comply with any correction procedure promulgated pursuant to Section 409A.

b. If a payment that could be made under this Agreement would be subject to additional taxes and interest under Section 409A, Heska in its sole discretion may accelerate some or all of a payment otherwise payable under the Agreement to the time at which such amount is includible in the income of Executive, provided that such acceleration shall only be permitted to the extent permitted under Treasury Regulation § 1.409A-3(j)(4)(vii) and the amount of such acceleration does not exceed the amount permitted under Treasury Regulation § 1.409A-3(j)(vii).

c. No payment to be made under this Agreement shall be made at a time earlier than that provided for in this Agreement unless such payment is (i) an acceleration of payment permitted to be made under Treasury Regulation § 1.409A-3(j)(4) or (ii) a payment that would otherwise not be subject to additional taxes and interest under Section 409A.

d. The right to each payment described in this Agreement shall be treated as a right to a series of separate payments and a separately identifiable payment for purposes of Section 409A.

e. For purposes of Section 6 of this Agreement, "termination" (or any similar term) when used in reference to Executive's employment shall mean "separation from service" with Heska within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder, and Executive shall be considered to have terminated employment with Heska when, and only when, Executive incurs a "separation from service" with Heska within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder.

f. If Executive qualifies as a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code and would receive any payment sooner than six (6) months after Executive's separation from service that, absent the application of this Section 19(f), would be subject to additional tax imposed pursuant to Section 409A as a result of such status as a specified employee, then such payment shall instead be payable on the date that is the earliest of (i) six (6) months after Executive's separation from service, (ii) Executive's death, or (iii) such other date as will not result in such payment being subject to such additional tax.

19. **Governing Law; Waiver of Jury Trial.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Colorado without regard to conflict of law principles. The Parties hereto each waive their respective rights to a jury trial of any and all such claims and causes of action.

20. **Counterparts.** This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

[*signature page follows*]

IN WITNESS WHEREOF, Heska has caused this Employment Agreement to be duly executed by an officer thereunto duly authorized, and Executive has hereunto set Executive's hand, all as of the day and year first above written.

HESKA CORPORATION

/s/ Robert B. Grieve

Robert B. Grieve, Ph.D.
Chairman of the Board and Chief Executive Officer

EXECUTIVE:

/s/ Steve Asakowicz

Steve Asakowicz
Executive Vice President, Companion Animal Health Sales

Exhibit 10.23

Execution Version

EMPLOYMENT AGREEMENT

This Employment Agreement (the "**Agreement**") is made effective on February 22, 2013 (the "**Effective Date**") between Heska Corporation, a Delaware corporation ("**Heska**"), and Rod Lippincott ("**Executive**"). Heska and Executive collectively are referred to as the "**Parties**" and individually as a "**Party**."

RECITALS

WHEREFORE, Executive is currently the Executive Vice President, Companion Animal Health Sales of Heska.

WHEREFORE, Executive and Heska now wish to enter into this Agreement regarding the terms of Executive's employment, which shall become effective upon execution.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises, covenants, and agreements contained herein, the legal sufficiency of which is acknowledged by the Parties, and intending to be legally bound, the Parties agree as follows:

TERMS

1. **Duties and Scope of Employment.**

a. **Position and Duties.** As of the Effective Date, Executive will serve as Executive Vice President, Companion Animal Health Sales of Heska. Executive will render such business and professional services in the performance of Executive's duties, consistent with Executive's position within Heska, as will reasonably be assigned to Executive by Heska's Board of Directors, Chief Executive Officer, President or their supervisor. Executive's duties will be subject to review and adjustments will be made at the discretion of the Executive's supervisor and superiors.

b. **Obligations.** During the Term of Agreement (as defined below), Executive will devote Executive's full attention, skills, time and business efforts to Heska. For the duration of the Term of Agreement, Executive agrees not to actively engage in any other employment, occupation, or consulting activity, for any direct or indirect remuneration, without the prior approval of the Board or the Corporate Governance Committee of the Board (which approval will not be unreasonably withheld); provided, however, that Executive may, without the approval of the Board or the Corporate Governance Committee of the Board, serve in any capacity with any civic, educational, or charitable organization, provided such services do not interfere with Executive's obligations to Heska.

2. **Term of Agreement.**

a. The period of Executive's employment under this Agreement is referred to herein as the "**Term of Agreement**." Subject to the provisions for earlier termination of employment in Section 6 below, this Agreement will have an initial term of thirty-six (36) months commencing on the Effective Date. On the 3rd anniversary of the Effective Date, and on each annual anniversary of the Effective Date thereafter, this Agreement automatically will renew for an additional twelve-month term unless Heska provides Executive with notice of non-renewal at least 120 days prior to the date of automatic renewal; provided, however, that either Heska or Executive may terminate Executive's employment immediately at any time subject to the provisions in Section 6 below.

b. Executive may be entitled to severance benefits pursuant to Section 6 below, depending upon the circumstances of Executive's termination of employment. Executive will not be entitled to severance benefits if Heska provides Executive with notice of non-renewal pursuant to Section 2(a) above, regardless of the reason. Upon the termination of Executive's employment for any reason, Executive will be entitled to payment of all accrued but unpaid compensation, vacation, expense reimbursements, and other benefits due to Executive through Executive's termination date under any Heska-provided or paid plans, policies, and arrangements. Executive agrees to resign from all positions that Executive holds with Heska, without limitation, immediately following the termination of Executive's employment if the Board so requests.

3. **Compensation.**

a. **Base Salary.** Heska will pay Executive an annual salary of $175,000 as compensation for Executive's services (the "**Base Salary**"). The Base Salary will be paid periodically in accordance with Heska's normal payroll practices and will be subject to the usual, required withholdings and deductions. Executive's salary will be subject to review, and adjustments will be made at the sole discretion of the Compensation Committee of the Board (the "**Committee**") and based upon Heska's standard practices.

b. **Annual Bonus.** During the Term of Agreement, Executive will be eligible to participate in the Management Incentive Plan (the "**Bonus Plan**"), or such other bonus programs as established by the Committee, at a target percentage that is no less than 35% of Executive's Base Salary then in effect (the "**Target Bonus**"). The actual bonus paid may be higher or lower than the Target Bonus for over or under-achievement of Executive's performance goals, as determined by the Committee in its sole discretion. Bonuses, if any, will accrue and become payable in accordance with the Committee's standard practices for paying executive incentive compensation, provided, however, that any bonus payable under this subsection will be payable within two-and-one-half (2-1/2) months after the end of the taxable year to which it relates or such longer period as may be permitted by Treasury regulations in order to avoid application of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") to such bonuses. Any bonuses paid pursuant to this Section will be subject to applicable withholdings and deductions. In addition, Executive will be eligible for variable performance commissions for successful sales revenue and margin achievement, targeted, to be earned under separate schedule, from between $50,000 and $125,000.

4. **Expenses.** In addition to the foregoing, Heska will reimburse Executive for Executive's reasonable out-of-pocket travel, entertainment, and other expenses, in accordance with Heska's expense reimbursement policies and practices in effect at the time of the reimbursement request. Executive shall submit such requests within forty-five (45) days of incurring such expenses.

5. **Employee Benefits.** During the Term of Agreement, Executive will be eligible to participate in the benefits offered to other senior executives of Heska, in accordance with benefit plans, policies, and arrangements that may exist from time to time.

6. **Termination and Severance.**

a. **Termination without Cause or for Good Reason other than In Connection with a Change of Control.** If, at any time, Executive's employment is terminated by Heska without Cause (as defined below), by Executive for Good Reason (as defined below), or due to Executive's death or Disability (as defined below), and the termination is not In Connection with a Change of Control (as defined below), Executive will receive the following, subject to conditions and limitations set forth in Section 7:

i. A payment of an amount equal to six (6) months of Executive's Base Salary, payable in accordance with Heska's standard payroll practices over the shorter of the following periods (A) in equal installments over the period beginning on the date of such termination and ending on the six-month anniversary thereof, or (B) in equal installments on a monthly basis corresponding to the amount Executive would normally receive as salary each month if Executive were still employed with Heska, with a lump sum of any remaining balance of the amount specified above on March 15 of the year following the year of termination.

ii. Provided that Executive timely elects continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), Heska shall pay the COBRA premium for coverage for Executive and Executive's eligible dependents under Heska's Benefit Plans (as defined below) for six (6) months, or if earlier, until Executive becomes employed by another employer and eligible for coverage under such other employer's welfare benefit plans (*e.g.*, payments for medical COBRA premiums will cease when Executive becomes eligible for another employer's medical plan). For the balance of the period during which Executive and Executive's eligible dependents are entitled to coverage under COBRA, Executive shall be entitled to maintain coverage for Executive and Executive's eligible dependents at Executive's sole expense. Executive shall notify Heska immediately upon Executive's acceptance of employment with another employer.

b. **Termination without Cause or for Good Reason In Connection with a Change of Control.** If, at any time, Executive's employment is terminated by Heska without Cause or by Executive for Good Reason, and the termination is In Connection with a Change of Control (as defined below), then, subject to the limitations set forth in this Section 7, Executive will receive:

i. A payment of an amount equal to twelve (12) months of Executive's Base Salary, payable in equal installments in accordance with the standard payroll schedule over the shorter of the following periods (A) the period beginning on the date of such termination and ending on the one-year anniversary thereof, or (B) the period beginning on the date of such termination and ending on March 15 of the year following the year of termination.

ii. Provided that Executive timely elects continuation coverage under COBRA, Heska shall pay the COBRA premium for coverage for Executive and Executive's eligible dependents under Heska's Benefit Plans (as defined below) for twelve (12) months, or if earlier, until Executive becomes employed by another employer and eligible for coverage under such other employer's welfare benefit plans (*e.g.*, payments for medical COBRA premiums will cease when Executive becomes eligible for another employer's medical plan). For the balance of the period during which Executive and Executive's eligible dependents are entitled to coverage under COBRA, Executive shall be entitled to maintain coverage for Executive and Executive's eligible dependents at Executive's sole expense. Executive shall notify Heska immediately upon Executive's acceptance of employment with another employer.

c. **Termination without Good Reason; Termination for Cause.** If, at any time, Executive's employment with Heska terminates voluntarily by Executive without Good Reason or is terminated for Cause by Heska, then (i) all further vesting of Executive's outstanding equity awards will terminate immediately, (ii) all payments of compensation by Heska to Executive hereunder will terminate immediately (except as to amounts already earned), but Executive will be paid all accrued but unpaid vacation, expense reimbursements, and other benefits due to Executive through Executive's termination date under any Company-provided or paid plans, policies, and arrangements, and (iii) Executive will not be entitled to any severance.

d. **Excise Tax.** In the event that any benefits payable to Executive pursuant to Section 6 of this Agreement ("**Termination Benefits**") (i) constitute "parachute payments" within the meaning of Section 280G of the Code, or any comparable successor provisions, and (ii) but for this Section 6(d), would be subject to the excise tax imposed by Section 4999 of the Code, or any comparable successor provisions (the "**Excise Tax**"), then Executive's Termination Benefits hereunder shall be either (A) provided to Executive in full, or (B) provided to Executive as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax, whichever of the foregoing amounts, when taking into account applicable federal, state, local, and foreign income and employment taxes, the Excise Tax, and any other applicable taxes, results in the receipt by Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Tax. Unless Heska and Executive otherwise agree in writing, any determination required under this Section 6(d) shall be made in writing in good faith by Heska's independent accountants. In the event of a reduction of benefits hereunder, Executive shall be given the choice of which benefits to reduce. If Executive does not provide written identification to Heska of which benefits Executive chooses to reduce within ten (10) days after written notice of the accountants' determination, and Executive has not disputed the accountants' determination, then Heska shall select the benefits to be reduced. For purposes of making the calculations required by this Section 6(d), the accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code and other applicable legal authority. Heska and Executive shall furnish to the accountants such information and documents as the accountants may reasonably request in order to make a determination under this Section 6(d). Heska shall bear all costs the accountants may reasonably incur in connection with any calculations contemplated by this Section 6(d).

7. **Conditions to Receipt of Severance; No Duty to Mitigate.**

a. **Separation Agreement and Release of Claims.** The receipt of any severance pursuant to Section 6 will be subject to Executive signing and not revoking a confidential separation agreement and release of claims in a form reasonably acceptable to Heska. Such agreement will provide (among other things) that Executive will not disparage Heska, its affiliates, parents, subsidiaries, directors, executive officers, employees, agents, or representatives. No severance will be paid or provided until the confidential separation agreement and release agreement becomes effective. No severance will be paid or provided if the Executive's confidential separation agreement and release agreement is not signed and irrevocable within forty-five (45) days after the Executive's termination date.

b. **Non-Competition.** In the event of a termination of Executive's employment that would entitle Executive to the receipt of severance pursuant to Sections 6(a) or 6(b), Executive agrees not to engage in Competition (as defined below) for twelve (12) months following the termination date. The geographic scope of this Section 7(b) is the United States of America. If Executive engages in Competition within such period, all continuing payments and benefits to which Executive otherwise may be entitled pursuant to Section 6 will cease immediately.

c. **Non-Solicitation.** In the event of a termination of Executive's employment that would entitle Executive to the receipt of severance pursuant to Sections 6(a) or 6(b), Executive agrees that, for twenty-four (24) months following the termination date, Executive, directly or indirectly, whether as employee, owner, sole proprietor, partner, director, member, consultant, agent, founder, co-venturer, or otherwise, (i) will not solicit, induce, or influence any person to modify his or her employment or consulting relationship with Heska (the "**No-Inducement**"), and (ii) not intentionally divert business away from Heska by soliciting business from any of Heska's customers and users who would otherwise have placed the solicited order with Heska (the "**No Solicit**"). The geographic scope of this Section 7(c) is the United States of America. If Executive breaches the No-Inducement or No Solicit, all continuing payments and benefits to which Executive otherwise may be entitled pursuant to Section 6 will cease immediately.

d. **Remedies.** In the event of Executive's breach of Sections 7(b) or 7(c), Heska shall have any and all remedies available to it in law or in equity, including without limitation the right to seek recovery of any amounts paid under Section 6 of this Agreement and injunctive relief, specific performance, or any other equitable relief to prevent a breach and to secure the enforcement of this Section. Injunctive relief may be granted immediately upon the commencement of any such action, and Heska need not post a bond to obtain temporary or permanent injunctive relief.

8. **Definitions.**

a. **Benefit Plans.** For purposes of this Agreement, "**Benefit Plans**" means plans, policies, or arrangements that Heska sponsors (or participates in) and that immediately prior to Executive's termination of employment provide Executive and Executive's eligible dependents with medical, dental, or vision benefits. Benefit Plans do not include any other type of benefit (including, but not limited to, financial counseling, disability, life insurance, or retirement benefits). A requirement that Heska provide Executive and Executive's eligible dependents with coverage under the Benefit Plans will not be satisfied unless the coverage is no less favorable than that provided to Executive and Executive's eligible dependents immediately prior to Executive's termination of employment.

b. **Cause.** For purposes of this Agreement, "**Cause**" shall mean the occurrence of one or more of the following: (i) conviction of, or an entry of a plea of *nolo contendere* to, any crime (including one involving moral turpitude), whether a felony or misdemeanor, or any crime which reflects so negatively on Heska to be detrimental to Heska's image or interests, or any act of fraud or dishonesty that has such negative reflection upon Heska; (ii) the repeated commitment of insubordination or refusal to comply with any reasonable request of the Board of Directors or other superior related to the scope or performance of Executive's duties; (iii) possession of any illegal drug on Heska premises or being under the influence of illegal drugs or abusing prescription drugs or alcohol while on Heska business, attending Heska-sponsored functions, or on Heska premises; (iv) the gross misconduct or gross negligence in the performance of Executive's responsibilities which, based upon good faith and reasonable factual investigation of the Board, demonstrates Executive's unfitness to serve; (v) material breach of Executive's obligations under this Agreement; or (vi) material breach of any fiduciary duty of Executive to Heska, which results in material damage to Heska or its business; provided, however, that if any occurrence under subsections (ii), (iv), (v), and (vi) may be cured, Heska will provide notice to Executive describing the nature of such event and Executive will thereafter have thirty (30) days to cure such event, and if such event is cured with that 30-day period, then grounds will no longer exist for terminating Executive's employment for Cause.

c. **Change of Control.** For purposes of this Agreement, "**Change of Control**" means (i) a sale of all or substantially all of Heska's assets, (ii) any merger, consolidation, or other business combination transaction of Heska with or into another corporation, entity, or person, other than a transaction in which the holders of at least a majority of the shares of voting capital stock of Heska outstanding immediately prior to such transaction continue to hold (either by such shares remaining outstanding or by their being converted into shares of voting capital stock of the surviving entity) a majority of the total voting power represented by the shares of voting capital stock of Heska (or the surviving entity) outstanding immediately after such transaction, (iii) the direct or indirect acquisition (including by way of a tender or exchange offer) by any person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the then outstanding shares of capital stock of Heska, (iv) a contested election of Directors, as a result of which or in connection with which the persons who were Directors before such election or their nominees cease to constitute a majority of the Board, or (v) a dissolution or liquidation of Heska.

d. **Competition.** For purposes of this Agreement, Executive will be deemed to have engaged in "**Competition**" if Executive, without the written consent of the Board or an authorized officer of any successor company to Heska, directly or indirectly (1) provides services or assistance in any form to any individual, entity, or company providing veterinary products for the companion animal health industry or imaging products or services for the veterinary market (a "Restricted Company"), whether such services or assistance is provided as an employee, consultant, agent, corporate officer, director, or otherwise or (2) participates in the financing, operation, management, or control of, a Restricted Company. A Restricted Company includes, without limitation, Abaxis, Inc., IDEXX Laboratories, Inc., scil animal health company GmbH, Sound Technologies, Inc. (currently a wholly owned subsidiary of VCA Antech, Inc.), and Synbiotics Corporation (currently a wholly owned subsidiary of Pfizer). Notwithstanding the foregoing, nothing contained in this Section 8(d) or in Section 7(b) above shall prohibit Executive from being employed or engaged in a corporate function or senior management position (and holding commensurate equity interests) in a division of a Restricted Company, so long as such division is not in any way engaged in providing veterinary products for the companion animal health industry or imaging products or services for the veterinary market and Executive does not directly or indirectly provide services or assistance to any division that does provide veterinary products for the companion animal health industry or imaging products or services for the veterinary market.

e. **Disability.** For purposes of this Agreement, "**Disability**" shall mean that, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, the Executive either (i) is unable to engage in any gainful activity, or (ii) is receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Heska employees.

f. **Good Reason.**

i. For purposes of this Agreement, "**Good Reason**" means the occurrence of any of the following without Executive's express written consent:

A. Executive's authority with Heska is, or Executive's duties or responsibilities as Executive Vice President, Companion Animal Health Sales are, materially diminished relative to Executive's authority, duties, and responsibilities as in effect immediately prior to such change;

B. a material diminution in Executive's Base Salary as in effect immediately prior to such diminution; provided, that an across-the-board reduction in the base compensation and benefits of all other executive officers of Heska by the same percentage amount (or under the same terms and conditions) as part of a general base compensation reduction and/or benefit reduction shall not constitute such a qualifying material diminution;

C. a material change in the geographic location of Executive's principal place of employment such that the new location results in a commute for Executive that is both (A) longer than Executive's commute prior to the relocation and (B) greater than fifty (50) road miles each way from Executive's home in the Trabuco Canyon, California area;

D. any material breach by Heska of any provision of this Agreement; and

E. any acquiring company fails to assume or be bound by the terms of this Agreement In Connection with a Change of Control;

ii. The aforementioned occurrences shall not be deemed Good Reason unless Executive gives Heska written notice of the existence of the condition which Executive believes constitutes Good Reason (which notice must be given within ninety (90) days of the initial existence of the condition) and such condition remains uncured for a period of thirty (30) days after the date of such notice. An event of Good Reason shall occur automatically at the expiration of such 30-day period if the relevant condition remains uncured at such time.

g. **In Connection with a Change of Control.** For purposes of this Agreement, a termination of Executive's employment with Heska is "**In Connection with a Change of Control**" if Executive's employment is terminated without Cause or for Good Reason during the period beginning three (3) months prior to a Change of Control and ending eighteen (18) months following a Change of Control.

9. **Confidential Information.** Executive acknowledges that Executive has executed Heska's standard employee Confidential Information and Invention Agreement (the "**Confidentiality Agreement**"). During the Term of Agreement, and for twenty-four (24) months after termination of Executive's employment, Executive agrees, if requested by Heska, to execute any updated versions of Heska's form of employee confidential information agreement as may be required of substantially all of Heska's executive officers.

10. **Executive's Representations and Warranties.** Executive represents and warrants that Executive is not a party to any other employment, non-competition, or other agreement or restriction which could interfere with the Executive's employment with Heska or Executive's or Heska's rights and obligations hereunder and that Executive's acceptance of employment with Heska and the performance of Executive's duties hereunder will not breach the provisions of any contract, agreement, or understanding to which the Executive is party or any duty owed by the Executive to any other person.

11. **Notices.** All notices, requests, demands, and other communications called for hereunder will be in writing and will be deemed given (a) on the date of delivery if delivered personally, (b) one (1) day after being delivered through a nationally recognized overnight courier service, or (c) five (5) business days after the date of mailing if sent certified or registered mail. Notice to Heska shall be sent to its principal place of business with a copy provided by facsimile to the Chair of the Committee, and notice to Executive will be delivered personally or sent to Executive's last known address provided to Heska.

12. **Successors and Assigns.** This Agreement will be binding upon and inure to the benefit of (a) the heirs, executors, and legal representatives of Executive upon Executive's death and (b) any successor of Heska. Any such Successor (as defined below) of Heska will be deemed substituted for Heska under the terms of this Agreement for all purposes. For purposes of this Section, "**Successor**" means any person, firm, corporation, or other business entity which at any time, whether by purchase, merger, or otherwise, directly or indirectly, acquires all or substantially all of the assets or business of Heska. None of the rights of Executive to receive any form of compensation payable pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance, or other disposition of Executive's right to compensation or other benefits will be null and void.

13. **Integration.** This Agreement, together with the Confidentiality Agreement, Heska's stock plans, and Executive's stock option and restricted stock agreements, represents the entire agreement and understanding between the Parties as to the subject matter herein and supersedes all prior or contemporaneous agreements whether written or oral, including the Prior Agreement. No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless in a writing that specifically references this Section and is signed by duly authorized representatives of the Parties hereto.

14. **Interpretation.** Article titles and section headings contained herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. The determination of the terms of, and the drafting of, this Agreement has been by mutual agreement after negotiation, with consideration by and participation of all Parties. Accordingly, the Parties agree that rules relating to the interpretation of contracts against the drafter of any particular clause shall not apply in the case of this Agreement.

15. **Waivers.** Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the Party or Parties entitled to the benefit thereof. Any such waiver shall be validly and sufficiently authorized for the purposes of this Agreement if, as to any Party, it is authorized in writing by an authorized representative of such Party. The failure of any Party hereto to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

16. **Severability.** If any provision of this Agreement is held illegal, invalid, or unenforceable, such holding shall not affect any other provisions hereof. In the event any provision is held illegal, invalid, or unenforceable, such provision shall be limited so as to give effect to the intent of the Parties to the fullest extent permitted by applicable law. Any claim by Executive against Heska shall not constitute a defense to enforcement by Heska.

17. **Tax Matters.**

a. Except as provided in Section 6(d) above, Executive agrees that Executive is responsible for any applicable taxes of any nature (including any penalties or interest that may apply to such taxes) that are reasonably determined to apply to any payment made to Executive hereunder (or any arrangement contemplated hereunder), that Executive's receipt of any benefit hereunder is conditioned on Executive's satisfaction of any applicable withholding or similar obligations that apply to such benefit, and that any cash payment owed to Executive hereunder will be reduced to satisfy any such withholding or similar obligations that may apply thereto.

b. Executive acknowledges that no representative or agent of Heska has provided Executive with any tax advice of any nature, and Executive has consulted with Executive's own legal, tax, and financial advisor(s) as to tax and related matters concerning the compensation to be received under this Agreement.

18. **Section 409A.**

a. This Agreement is intended to comply with Section 409A of the Code, as amended ("**Section 409A**") and shall be construed accordingly. It is the intention of the parties that payments or benefits payable under this Agreement not be subject to the additional tax or interest imposed pursuant to Section 409A. To the extent such potential payments or benefits are or could become subject to Section 409A, the parties shall cooperate to amend this Agreement with the goal of giving Executive the economic benefits described herein in a manner that does not result in such tax or interest being imposed; provided, however, that no such amendment shall materially increase the cost to, or impose any liability on Heska with respect to any benefits contemplated or provided hereunder. Executive shall, at the request of Heska, take any reasonable action (or refrain from taking any action), required to comply with any correction procedure promulgated pursuant to Section 409A.

b. If a payment that could be made under this Agreement would be subject to additional taxes and interest under Section 409A, Heska in its sole discretion may accelerate some or all of a payment otherwise payable under the Agreement to the time at which such amount is includible in the income of Executive, provided that such acceleration shall only be permitted to the extent permitted under Treasury Regulation § 1.409A-3(j)(4)(vii) and the amount of such acceleration does not exceed the amount permitted under Treasury Regulation § 1.409A-3(j)(vii).

c. No payment to be made under this Agreement shall be made at a time earlier than that provided for in this Agreement unless such payment is (i) an acceleration of payment permitted to be made under Treasury Regulation § 1.409A-3(j)(4) or (ii) a payment that would otherwise not be subject to additional taxes and interest under Section 409A.

d. The right to each payment described in this Agreement shall be treated as a right to a series of separate payments and a separately identifiable payment for purposes of Section 409A.

e. For purposes of Section 6 of this Agreement, "termination" (or any similar term) when used in reference to Executive's employment shall mean "separation from service" with Heska within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder, and Executive shall be considered to have terminated employment with Heska when, and only when, Executive incurs a "separation from service" with Heska within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder.

f. If Executive qualifies as a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code and would receive any payment sooner than six (6) months after Executive's separation from service that, absent the application of this Section 19(f), would be subject to additional tax imposed pursuant to Section 409A as a result of such status as a specified employee, then such payment shall instead be payable on the date that is the earliest of (i) six (6) months after Executive's separation from service, (ii) Executive's death, or (iii) such other date as will not result in such payment being subject to such additional tax.

19. **Governing Law; Waiver of Jury Trial.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Colorado without regard to conflict of law principles. The Parties hereto each waive their respective rights to a jury trial of any and all such claims and causes of action.

20. **Counterparts.** This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

[*signature page follows*]

IN WITNESS WHEREOF, Heska has caused this Employment Agreement to be duly executed by an officer thereunto duly authorized, and Executive has hereunto set Executive's hand, all as of the day and year first above written.

HESKA CORPORATION

/s/ Robert B. Grieve

Robert B. Grieve, Ph.D.
Chairman of the Board and Chief Executive Officer

EXECUTIVE:

/s/ Rod Lippincott

Rod Lippincott
Executive Vice President, Companion Animal Health Sales

Exhibit 10.40

Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 24b-2 of the General Rules and Regulations under the Securities Exchange Act. Omitted information, marked "[***]" in this exhibit, has been filed with the Securities and Exchange Commission together with such request for confidential treatment.

ELEVENTH AMENDMENT TO THIRD AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT

This Eleventh Amendment to Third Amended and Restated Credit and Security Agreement (this "Amendment"), dated as of November 5, 2012, is made by and among Heska Corporation, a Delaware corporation ("Heska"), Diamond Animal Health, Inc., an Iowa corporation ("Diamond") (each of Heska and Diamond may be referred to herein individually as a "Borrower" and collectively as the "Borrowers"), and Wells Fargo Bank, National Association, acting through its Wells Fargo Business Credit operating division (the "Lender").

Recitals

The Borrowers and the Lender are parties to a Third Amended and Restated Credit and Security Agreement dated as of December 30, 2005 (as amended to date and as the same may be hereafter amended from time to time, the "Credit Agreement").

The Borrowers have requested that certain amendments be made to the Credit Agreement, which the Lender is willing to make pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, it is agreed as follows:

1. Defined Terms. Capitalized terms used in this Amendment which are defined in the Credit Agreement shall have the same meanings as defined therein, unless otherwise defined herein.

2. Investments. Section 7.4(a)(x) of the Credit Agreement is hereby amended to read in its entirety as follows:

"(x) unless a Default Period exists or would exist immediately after or as a result of any such purchase or investment, a purchase of assets of, or an investment in an equity position in, a company in a related industry, not to exceed $6,000,000 in cash (including existing cash or cash obtained by one or more Revolving Advances to complete any such purchase or investment, but excluding the value of any non-cash consideration for any such purchase or investment) in the aggregate during the term of this Agreement, provided that Availability (assuming for purposes of such calculation, that such purchase or investment had

already been made) during the 90 days prior to and immediately following such purchase or investment is greater than $2,000,000 at all times, and provided further than (A) in the case of an investment resulting in a new Subsidiary, such Subsidiary delivers, concurrently with the closing of the investment, the items set forth in clause (b)(i) below, and (B) within forty-five (45) Banking Days (or such later date as Lender agrees in its sole discretion) prior to the consummation of such proposed investment or purchase, Borrower shall have delivered to Lender such documents and agreements, information and reports relating to the proposed equity investment or acquisition as Lender may reasonably request."

3. No Other Changes. Except as explicitly amended by this Amendment, all of the terms and conditions of the Credit Agreement shall remain in full force and effect and shall apply to any advance or letter of credit thereunder.

4. Conditions Precedent. This Amendment shall be effective when the Lender shall have received an executed original hereof, together with such other matters as Lender may require, each in form and substance acceptable to the Lender in its sole discretion.

5. Representations and Warranties. The Borrowers hereby represent and warrant to the Lender as follows:

(a) The Borrowers have all requisite power and authority to execute this Amendment and any other agreements or instruments required hereunder, and to perform all of its obligations hereunder and thereunder, and this Amendment and such other agreements and instruments have been duly executed and delivered by the Borrowers and constitute the legal, valid and binding obligation of the Borrowers, enforceable in accordance with their terms.

(b) The execution, delivery and performance by the Borrowers of this Amendment and any other agreements or instruments required hereunder, have been duly authorized by all necessary corporate action and do not (i) require any authorization, consent or approval by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) violate any provision of any law, rule or regulation or of any order, writ, injunction or decree presently in effect, having applicability to the Borrowers, or the articles of incorporation or by-laws of the Borrowers, or (iii) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which any Borrower is a party or by which it or its properties may be bound or affected.

(c) All of the representations and warranties contained in Article V of the Credit Agreement are correct on and as of the date hereof as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date.

6. No Waiver. The execution of this Amendment and the acceptance of all other agreements and instruments related hereto shall not be deemed to be a waiver of any Default or Event of Default under the Credit Agreement or a waiver of any breach, default or event of default under any Loan Document or other document held by the Lender, whether or not known to the Lender and whether or not existing on the date of this Amendment.

7. Release. The Borrowers hereby absolutely and unconditionally release and forever discharge the Lender, and any and all participants, parent entities, subsidiary entities, affiliated entities, insurers, indemnitors, successors and assigns thereof, together with all of the present and former directors, officers, agents, attorneys and employees of any of the foregoing, from any and all claims, demands or causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, which any Borrower has had, now has or has made claim to have against any such Person for or by reason of any act, omission, matter, cause or thing whatsoever arising from the beginning of time to and including the date of this Amendment, whether such claims, demands and causes of action are matured or unmatured or known or unknown.

8. Costs and Expenses. The Borrowers hereby reaffirm their agreement under the Credit Agreement to pay or reimburse the Lender on demand for all costs and expenses incurred by the Lender in connection with the Loan Documents, including without limitation all reasonable fees and disbursements of legal counsel. Without limiting the generality of the foregoing, the Borrowers specifically agree to pay all fees and disbursements of counsel to the Lender for the services performed by such counsel in connection with the preparation of this Amendment and the documents and instruments incidental hereto. The Borrowers hereby agree that the Lender may, at any time or from time to time in its sole discretion and without further authorization by the Borrowers, make a loan to the Borrowers under the Credit Agreement, or apply the proceeds of any loan, for the purpose of paying any such fees, disbursements, costs and expenses.

9. Miscellaneous. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original and all of which counterparts, taken together, shall constitute one and the same instrument.

Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 24b-2 of the General Rules and Regulations under the Securities Exchange Act. Omitted information, marked "[***]" in this exhibit, has been filed with the Securities and Exchange Commission together with such request for confidential treatment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first written above.

HESKA CORPORATION

By /s/ Jason Napolitano
Its Chief Financial Officer

DIAMOND ANIMAL HEALTH, INC.

By /s/ Jason Napolitano
Its Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By [***]
[***], Authorized Signatory

Exhibit 10.56

Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 24b-2 of the General Rules and Regulations under the Securities Exchange Act. Omitted information, marked "[***]" in this exhibit, has been filed with the Securities and Exchange Commission together with such request for confidential treatment.

AMENDMENT NO.2
TO
SUPPLY AND LICENSE AGREEMENT

This Amendment No. 2 is entered into as of December 7, 2011 by and between Heska Corporation, a Delaware corporation, having a principal place of business at 3760 Rocky Mountain Avenue, Loveland, CO 80538 ("Heska") and Intervet Inc., d/b/a Merck Animal Health a Delaware corporation, having a place of business at 556 Morris Avenue, Summit, New Jersey 07901-1330 ("Merck").

WHEREAS, Heska and Merck are parties to that certain Supply and License Agreement dated August 1, 2003, by and between Heska and Merck (formerly known as Schering–Plough Animal Health Corporation (the "Original Agreement");

WHEREAS, Heska and Merck desire to amend the Original Agreement to clarify the definition of "Veterinarians" therein;

WHEREAS, capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed thereto in the Original Agreement;

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Amendment No. 2, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Amendments to Original Agreement. Notwithstanding any provision of the Original Agreement to the contrary:

A. Section 1.16 of the Original Agreement is hereby deleted in its entirety and replaced with the following new Section 1.16:

"1.16 "Veterinarians" shall mean veterinarians, veterinary clinics and veterinary hospitals that will provide the Product only to their patients in a situation in which there is a doctor-patient relationship between a veterinarian and the patient with respect to the Product (collectively, "Veterinary Institutions"). "Veterinarians" also shall include veterinary distributors and e-commerce outlets that have an agency relationship, ownership relationship or other membership-based relationship with one or more Veterinary Institutions to the extent the veterinary distributor or e-commerce outlet provides the Product to an end-user under a prescription from such

Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 24b-2 of the General Rules and Regulations under the Securities Exchange Act. Omitted information, marked "[***]" in this exhibit, has been filed with the Securities and Exchange Commission together with such request for confidential treatment.

Veterinary Institution(s) and receives profit-sharing or other compensation from such prescribing Veterinary Institution(s) in connection therewith (collectively, the described veterinary distributors and e-commerce outlets are defined herein as "Permitted Distributors"), [***]. Notwithstanding any provision of this Agreement to the contrary, however, "Veterinarians" shall not include (i) the Over-the-counter channel and (ii) any portion of the retail channel that does not maintain a Permitted Distributor relationship with a Veterinary Institution with respect to the Product, including but not limited to retail pharmacies [***], big box stores [***], Internet based online pharmacies not meeting the definition of Permitted Distributor [***] and pet specialty stores [***] (provided, that a Veterinary Institution co-located with an unaffiliated pet specialty store [***] shall be treated as a Veterinary Institution and such pet specialty store shall not be treated as a Veterinarian), and in each case, their respective e-commerce outlets."

B. Section 2.1(a) of the Original Agreement is hereby deleted in its entirety and replaced with the following new Section 2.1(a):

"(a) During the term of this Agreement, Heska shall be the exclusive supplier of the Product to Schering solely for the exclusive distribution and sale of the Product by Schering to Veterinarians (including Permitted Distributors) in the Territory. Schering shall have the right to (i) grant sublicenses, and (ii) private label, in connection with its sale of the Product in the Territory. The rights to the Product retained by Heska under this Agreement will specifically exclude the right to distribute and sell the Product to Veterinarians or Permitted Distributors in the Territory."

2. Effect of this Amendment. This Amendment No. 2 is hereby incorporated by reference into the Original Agreement as if fully set forth therein. The Original Agreement as amended by this Amendment No. 2 shall continue in full force and effect following execution and delivery hereof and references to the term "Agreement" therein shall include this Amendment No. 2. In the event of any conflict between the terms and conditions of the Original Agreement and this Amendment No. 2, the terms and conditions of this Amendment No. 2 shall govern and control.

Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 24b-2 of the General Rules and Regulations under the Securities Exchange Act. Omitted information, marked "[***]" in this exhibit, has been filed with the Securities and Exchange Commission together with such request for confidential treatment.

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 2 to be executed and delivered by their duly authorized representatives as of the date first above written.

HESKA CORPORATION

By: /s/ Michael J. McGinley
Name: /s/ Michael J. McGinley
Title: President, Chief Operating Officer

INTERVET INC.
d/b/a Merck Animal Health

By: [***]
Name: [***]
Title: [***]

Exhibit 10.58

Execution Version

Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 24b-2 of the General Rules and Regulations under the Securities Exchange Act. Omitted information, marked "[***]" in this exhibit, has been filed with the Securities and Exchange Commission together with such request for confidential treatment.

AMENDED AND RESTATED MASTER LICENSE AGREEMENT

This AMENDED AND RESTATED MASTER LICENSE AGREEMENT (the "Agreement") is made and entered into as of February 22, 2013, and amends and restates in its entirety that certain Master License Agreement dated as of the 5th day of April, 2011 at 11:59:59 PM, (the "Effective Date") by and between Heska Imaging US, LLC, a Delaware limited liability company, with offices at 3760 Rocky Mountain Ave., Loveland CO 80538, formerly known as Cuattro Veterinary USA, LLC, with offices at 1618 Valle Vista Blvd., Pekin, IL, 61554 ("Licensee"), and Cuattro, LLC, a Colorado limited liability company, with offices at 63 Avondale Lane, Villa Montane #C2, Beaver Creek, CO 81620 ("Licensor") (each a "Party" and collectively the "Parties")

RECITALS

A. Licensor has developed and is the owner of, or otherwise has the authority to, license certain digital radiography acquisition software and PACS software as described on Exhibit A1 attached hereto and incorporated herein by reference ("Licensor Software").

B. Licensee has entered into that certain Supply Agreement with Licensor dated as of February 22, 2013 ("Supply Agreement") whereby Licensee shall acquire certain products from Licensor (the "Licensor Products").

C. Licensee desires to obtain from Licensor the use, reproduction and distribution rights to load and distribute Licensor Software solely in conjunction with Products which are acquired from Licensor. Licensor has agreed to grant the requisite rights to Licensee, and provide certain services in relation thereto on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the Parties agree as follows:

1. DEFINITIONS.

1.1 "Affiliate" shall mean, with respect to any Party, any person or entity which, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Party. A person or entity shall be deemed to control a corporation (or other entity) if such person or entity possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation (or other entity) whether through the ownership of voting securities, by contract or otherwise. Licensor and Licensee may fulfill all or any portion of their respective obligations hereunder through their respective Affiliate(s).

1.2 "Documentation" means all documentation and information in connection with the installation, use, operation, modification, support and maintenance of Software made available by Licensor to Licensee including, without limitation, any on-line help files, written instruction manuals or written correspondence, but excludes software code.

1.3 "End Users" shall mean users who have purchased a Product for their internal use only and not for the purpose of further resale, development or modification, subject to the limitations of the End User Software License Agreement that comes with each executable copy of each Software, in the Market and the Territory.

1.4 "Innovations" means any invention, improvements, works of authorship, innovation or other developments that may be conceived, authored, created or otherwise developed by Licensor during the term of this Agreement, whether or not forming part of Software, arising from Software, Services, Specifications, existing Intellectual Property of Licensor, performance hereunder, non-performance hereunder, or arising from Licensee's specifications, discovery, or provision of feedback, and including, but not limited to, designs, formulae, processes, methods and methodologies, ideas, algorithms, libraries, databases, software, software tools, programs and their documentation, articles, writings and compositions.

1.5 "Intellectual Property Rights" means any and all now known and hereafter existing (a) copyrights, and copyrightable works of authorship, exploitation rights, moral rights and mask work rights, (b) trademark, trade name and service mark rights, (c) trade secret rights, including, without limitation, all rights in Confidential Information and proprietary rights whether arising by law or contract, (d) patent rights, patentable inventions and processes, designs, algorithms, software, code, schema, artwork, user interface design, firmware, and other industrial property rights, and (e) other intellectual and industrial property and proprietary rights of every kind and nature throughout the world, whether arising by operation of law, by contract, by license or otherwise.

1.6 "Market" means the field of veterinary medicine, limiting use of any Products containing Software to the practice of medicine on or for non-human species, by currently licensed veterinary medical doctors in good standing with state, federal and professional authorities, and by entities in which a licensed veterinary medical doctor oversees the activities performed on or for non-human species.

1.7 "Open Source Software" means any software that is derived in any manner (in whole or in part) from any software that is distributed under the following conditions: (i) licensees of such software are authorized to access, modify and make derivative works of the source code for the software; (ii) licensees of source code of such software are not obligated to maintain the confidentiality of such source code; and (iii) at least some licensees of such software are required, if they desire to distribute derivative works of such software, to license the source code for such derivative works to their sublicensees under the conditions of (i), (ii) or (iii) hereof.

1.8 "Product" shall mean a Licensee product containing the Software, provided that, in each case, Product must also contain (i) at least one (1) digital radiographic detector or one (1) radiographic generator purchased from Licensor or (ii) third-party hardware to the extent permitted by Section 2.3 hereof.

1.9 "Services" means the professional services to be provided by Licensor or its authorized representatives, in relation to Licensor Software for, without limitation, customizations, enhancements and improvements of the Software, in accordance with the applicable Statement of Work.

1.10 "Software" means the object code version of Licensor Software including any changes, modifications, updates, enhancements, deletions, additions or derivatives to Licensor Software. Software also includes any materials that are provided for use in connection with Software, including, but not limited to, Documentation designed to be used in conjunction with Software.

1.11 "Specifications" means the technical and other specifications and quality standards for Software as set forth on Exhibit A1 attached hereto and those set forth in a Statement of Work having been executed by the Parties.

1.12 "Statement of Work" or "SOW" means each statement of work executed by the Parties (together with all schedules, attachments, product schedules, and other materials that are appended to, or referenced into the Statement of Work), that specifically refers to this Agreement and specifies, in detail, the Services, the Specifications, the delivery schedule, the Service Fees and payment schedule and Review Period for such Services and Software.

1.13 "Territory" means the Market solely in the United States of America.

1.14 "Third Party Materials" means proprietary information, data, technology, methods and methodologies, software, hardware, documentation, tools, software and interfaces, trade secrets, works of authorship, trademarks and other proprietary materials of a party including Open Source Software other than Licensor or Licensee.

2. GRANT.

2.1 Acquisition Software License. Subject to the terms and conditions of this Agreement, strictly limited to the Territory, in consideration of payments per Article 3 of this Agreement, Licensor hereby grants to Licensee, and Licensee hereby accepts, for the term of this Agreement, an exclusive right and license, and sub-licensable only to its Affiliates set forth in Exhibit A2 ("Covered Affiliates"), to (i) reproduce and install Software, in the object code form, on Products in the Territory, (ii) market, distribute and sell the Software loaded on Products either itself or through authorized third party or affiliated distributors, representatives and resellers ("Distributors") in the Territory, provided that Distributors are bound to and observe the limitations, terms, scope, and conditions set forth herein, and (iii) reproduce, use and distribute the Documentation in connection with aforesaid use of Software. Licensee shall be fully responsible and liable towards Licensor for the use of Software by the Covered Affiliates and any of its Distributors. For the avoidance of doubt, once a copy of the Software is distributed to an End User as part of a Product in compliance with this Agreement, the foregoing license extends to any repaired or replaced Product for that End User.

2.2 Trademark License. Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee, and Licensee hereby accepts, for the term of this Agreement, limited to the Territory, a non-exclusive right and license, sub-licensable only to its Covered Affiliates, to use trademarks CloudDR, Cloudbank, ViewCloud, Uno and any other trademarks owned and used by Licensor in connection with Licensor Software in the Territory (collectively, the "Marks") solely in connection with Licensee's (and its Affiliates' and Distributors') marketing and distribution of the Products. Use of the Marks shall be in accordance with Licensor's reasonable policies in effect from time to time and subject to reasonable review and approval by Licensor. Licensee has paid no consideration for the use of the Marks and nothing herein shall give Licensee any right, title or interest in the Marks except the limited license granted in this Section 2.2. Licensee agrees that it will not, at any time during or after the Agreement, assert or claim any interest in, or do anything which may adversely affect the validity, enforceability or value of, the Marks. Except as specifically provided in Section 4.3 of this Agreement, upon termination or cancellation of this Agreement, Licensee shall cease all display, advertising or other use of the Marks and shall not thereafter use, advertise or display any name, mark, logo or other designation which is, or any part of which is, similar to or confusing with the Marks. Any and all uses by Licensee of Marks shall inure solely to the benefit of Licensor.

2.3 Restrictions. Licensee agrees that, except as expressly permitted under this Agreement, it will not itself, or through any Affiliate, Distributor, agent or other third party, entity or other business structure (i) decompile, disassemble, re-program, reverse engineer or otherwise attempt to derive or modify Software (including the Documentation) in whole or in part, (ii) write or develop any derivative software or any other software program based on Software, Documentation, or related information provided by Licensor, (iii) remove, alter, cover or obfuscate any copyright notices or other proprietary rights notices of Licensor, or (iv) sell or cause to be sold or marketed any product containing the Software or derivatives thereof that in the reasonable determination of Licensor is competitive to the Software or the hardware offered for sale by Licensor in any other Territory, without the prior written consent of Licensor. For the avoidance of doubt, Licensee agrees to not use or install the Software on any product that does not contain at least one (1) digital radiographic detector or one (1) radiographic generator purchased from Licensor, and, agrees to not use or install the Software for use with any product that is competitive with Licensor's digital radiographic detector(s) or radiographic generator(s), without prior written permission from Licensor. Notwithstanding the foregoing, in the event that, during the Initial Term or any renewal term of this Agreement, if Licensor is unable to timely supply under the Supply Agreement for a period of more than sixty (60) days, and for so long as such inability continues, upon request from Licensee, Licensor shall sell licenses of the Software for use with Competitive Products (as defined in the Supply Agreement), provided however that Licensor shall provide licenses for use with Competitive Products without warranty or representation as to performance or fitness for use with Competitive Products.

2.4 End User Software License Agreement. Licensee shall electronically include the End User Software License Agreement ("EUSLA") that is delivered by Licensor with each copy of Software, separately, or as distributed in Products. Licensor may modify or alter the EUSLA for subsequent use, provided that Licensor shall provide a written copy, in Microsoft® format, of each modification. Within ten (10) days of receipt of the modified EUSLA, Licensee will (i) accept the modifications (acceptance not unreasonably withheld) or (ii) only if the modifications adversely affect the use thereof by End Users, object in writing with written proposed edits and the parties will, time of the essence, endeavor to quickly reach agreement and acceptance. Upon acceptance, Licensee shall cease using former versions, and all transactions thereafter shall be by and under the latest version(s).

2.5 Licensor Obligations. In connection with the delivery of the Software (and any future releases or future versions of the Software), Licensor will provide, at no charge to Licensee, a fully functional, executable and compiled (non human readable) version of the Software in electronically downloadable form for use by Licensee or its permitted sub-licensees in installing the Software pursuant to this Agreement.

2.6 Third Party Materials. To the extent that Software contains Third Party Materials, it is Licensor's sole responsibility to obtain any licenses required for Licensee to use such Third Party Materials. Licensor shall pay any additional consideration for actual costs of such licenses for Third Party Materials contained in the Software.

3. SUPPORT, MAINTENANCE, PAYMENTS.

3.1 Reports. Licensee shall, upon request, no more often than once per calendar quarter, provide to Licensor reports in connection with the sales of the Products (or any product) containing Software, not later than thirty (30) days following the end of the calendar quarter just ended ("Quarterly Reports"). The Quarterly Reports shall state the quantity of such Products sold by Licensee from the Effective Date through the end of the calendar quarter just ended, the location, end user customer contact information, and date of first clinical use of the Software and of the Product delivered to each End User and Distributor. The Quarterly Reports shall be treated as Licensee's Confidential Information.

3.2 License Payment Schedule. Intentionally Omitted.

3.3 Per Copy Software License Payment Schedule. For each Product containing Licensor Software, Licensee shall pay Licensor under the following calendar year schedule; provided, that, taking into account scope of work, schedule, volume, features, exclusivity, liability, indemnification, market access, regulatory assistance, bundling with hardware, and other commercial and service terms, the prices, terms and conditions of such payments shall be no less favorable than the most favorable prices, terms and conditions extended to other Licensor customers in the Market ("MFN Pricing").

2013:	[***] per Software License in each Product
2014:	[***] per Software License in each Product
2015:	[***] per Software License in each Product
2016:	[***] per Software License in each Product
2017:	[***] per Software License in each Product
2018:	[***] per Software License in each Product
2019:	[***] per Software License in each Product
2020:	[***] per Software License in each Product
2021:	[***] per Software License in each Product
2022:	[***] per Software License in each Product
2023+:	[***] per Software License in each Product

3.4 Expenses. Each Party shall be responsible for, and bear, its own costs and expenses unless otherwise agreed in writing by the Parties prior to any cost or expense being incurred by either Party.

3.5 Taxes. Each party is responsible for paying all local, state, federal or foreign taxes, levies or duties of any nature applicable to it ("Taxes"). If either party has the legal obligation to pay or collect Taxes for which the other party is responsible, the appropriate amount shall be invoiced to and paid by the responsible party, or withheld by the paying or collecting party unless the responsible party provides a valid tax exemption certificate authorized by the appropriate applicable taxing authority.

3.6 Records. For the entire term of this Agreement, Licensee shall keep and maintain appropriate books and records of account, in accordance with Generally Accepted Accounting Principles of the United States, sufficient to enable accurate calculations of any amounts due to Licensor and to audit the Quarterly Reports.

3.7 Audit. During the entire term of this Agreement and for a period of two (2) years thereafter Licensor shall have the right to audit, not more than once in any twelve (12) month period, Licensee's relevant records and books for the previous two (2) years ("Audit Years"). For that purpose, Licensor may itself or, at its own expense, engage an independent accountant to inspect the records of Licensee on reasonable notice and during regular business hours, provided however, that such independent accountant and Licensor shall sign an appropriate confidentiality agreement. In the event it is found as a result of such audit that a payment in excess of five percent (5%) of the original payment made by Licensee is due to Licensor, then Licensee will reimburse Licensor for one hundred percent (100%) of the reasonable auditing expenses incurred by Licensor.

3.8 Services. Licensor shall use its best commercial efforts to perform all Services reasonably requested by Licensee during the term of this Agreement on prices, terms and conditions no less favorable than the most favorable prices, terms and conditions extended to other customers of Licensor for similar services taking into account scope of work, schedule, volume, features, exclusivity, liability and indemnification, other commercial license and service terms, and staffing.

4. TERM AND TERMINATION.

4.1 Term of Agreement. The initial term of this Agreement shall commence as of February 15, 2013 and continue through December 31, 2022 ("Initial Term"). Commencing after January 1, 2023, this Agreement shall continue on a year-to-year basis unless on or before September 30 of any calendar year (i) Licensee notifies Licensor in writing that it wishes to terminate the Agreement, provided, that such termination shall be effective as of December 31st of the third calendar year following the year in which such notification is given (such period, a "Heska Imaging Cancellation Term"), or (ii) Licensor notifies Licensee in writing that it wishes to terminate the Agreement, provided, that such termination shall be effective as of December 31st of the fifth calendar year following the year in which such notification is given (such period, an "LLC Cancellation Term"). No such termination shall relieve either Party from any obligations or debts incurred hereunder prior to the effective date of termination.

4.2 Termination for Cause. Notwithstanding Section 4.1, this Agreement may be terminated before the expiration of the Initial Term and/or any renewal term as follows (each of the following a termination for "Cause"):

(a) Insolvency Event. Either Party may terminate this Agreement by delivering written notice to the other Party upon the occurrence of any of the following events: (i) a receiver is appointed for the other Party or its property; (ii) if the other Party makes a general assignment for the benefit of its creditors; (iii) if the other Party commences, or has commenced against it, proceedings under any bankruptcy, insolvency or debtor's relief law, which proceedings are not dismissed within sixty (60) days; (iv) if the other Party is liquidated or dissolved, (v) if the other Party becomes unable to make payment of amounts due to creditors in a timely and dependable fashion.

(b) Default. Either Party may terminate this Agreement effective upon written notice to the other if the other Party violates any covenant, agreement, representation or warranty contained herein in any material respect or defaults or fails to perform any of its obligations or agreements hereunder in any material respect, or fails to make any payment when due, which violation, default or failure is not cured within sixty (60) days after notice thereof from the non-defaulting Party stating its intention to terminate this Agreement by reason thereof.

(c) Supply Agreement Termination. Either Party may terminate this Agreement effective upon written notice to the other if the Supply Agreement is terminated or voided, for any reason.

4.3 Post-Termination Licenses. Upon termination of this Agreement for any reason, all rights and licenses granted to either Party hereunder shall immediately terminate and, without derogating from the generality of the foregoing, (a) Licensee shall immediately cease and shall no longer be entitled to continue selling, offering to sell, or otherwise disposing of any Products, (b) Licensee shall immediately cease licensing, distributing, showing, using, marketing, renting, or commercializing in any way the Software and Marks, and (c) all licenses to Software, Marks, Intellectual Property of Licensor, with respect to rights or benefits granted hereunder shall immediately terminate; provided, that in the event that this Agreement is terminated (i) by Licensee for Cause, or (ii) upon the expiration of a Heska Imaging Cancellation Term or LLC Cancellation Term, then at Licensee's option in its sole discretion (y) Licensee has the right to sell off or otherwise distribute any copies of Software that (i) Licensee has paid for and then holds inventory as of termination of this, and (ii) in conjunction with Products supplied under the in force and paid up Supply Agreement, to any existing or future End User for a reasonable sell-off period, but not more than six (6) months (the "Sell-Off Period"), and (z) Licensee's right and license to use, advertise and display the Marks hereunder, and Licensor's grant of such license to use, advertise and display the Marks, shall continue during the Sell-Off Period. Upon termination for any reason, Licensee shall delete all copies of the Software and Documentation and provide written certification to Licensor that such deletion of all copies has been completed, within three (3) business days after the later of such termination or expiration of the Sell-Off Period.

4.4 Survival. Sections that by their nature should survive termination shall do so. Sections that by their nature are not explicitly intended to survive termination shall terminate immediately upon termination of this Agreement.

5. OWNERSHIP.

5.1 Retained Ownership Rights. Except as explicitly set forth herein or in a Statement of Work, neither this Agreement, nor the provision of Services hereunder, will give either Party any ownership interest in or rights to the Intellectual Property Rights of the other Party. All Intellectual Property Rights that are owned or controlled by a Party at the commencement of this Agreement will remain under the ownership or control of such Party throughout the term of this Agreement and thereafter. Unless explicitly, incontrovertibly granted in this Agreement and paid for in full by Licensee to Licensor, no work, work product, Statement of Work, or Services, whether by performance or non-performance, shall cause Licensee to acquire any ownership or rights to Licensor's Software, Intellectual Property Rights, or other property, in whole or in part or any derivative of Licensor property. In case of conflict or ambiguity in interpretation of any agreement between the Parties with respect to this subject matter, this Section 5.1 shall govern and be taken as the basis for any interpretations or conflict resolutions and in the absence of incontrovertible evidence to the contrary, Licensor shall retain sole rights or, as the case may be, acquire sole rights in and to any pre-existing, existing, and arising intellectual property arising from this Agreement, including performance and non-performance hereunder, and Licensee shall cooperate in perfecting Licensor's sole and unencumbered ownership thereof.

5.2 Innovations. Except as explicitly set forth herein or in a Statement of Work, Licensor shall have all right, title and interest in and to any and all Innovations, and Intellectual Property Rights arising therefrom that are made by Licensor in providing the Services. Licensor shall solely own all derivative works of Software and Innovations. Licensor owns and shall retain all right, title and interest in and to the Software and Documentation, including, without limitation, all Intellectual Property Rights embodied therein, and Licensee shall have no rights with respect thereto other than the rights expressly granted in this Agreement. All rights not expressly granted to Licensee in this Agreement are retained by Licensor.

6. CONFIDENTIALITY.

6.1 Confidential Information. Each Party (the "Disclosing Party") may from time to time during the term of this Agreement disclose to the other Party (the "Receiving Party") certain information regarding the Disclosing Party's business, including, without limitation, technical, marketing, financial, employee, planning and other confidential or proprietary information, which information is either marked as confidential or proprietary (or bears a similar legend) or which a reasonable person would understand to be confidential given the circumstance and nature of the disclosure ("Confidential Information"), and whether disclosed orally or in writing. Without limiting the foregoing, each Party's Confidential Information shall include all customer lists and other materials and technology owned or otherwise controlled by it; provided, however, any customer lists of Licensor resulting from customers of Licensee during the term of this Agreement (as a result of End Users being parties to the MWSTC as defined in the Supply Agreement) is deemed Confidential Information of Licensee and not of Licensor. Confidential Information does not include information that: (i) is in the Receiving Party's possession at the time of disclosure as shown by credible evidence; (ii) before or after it has been disclosed to the Receiving Party, enters the public domain, not as a result of any action or inaction of the Receiving Party; (iii) is approved for release by written authorization of the Disclosing Party; (iv) is disclosed to the Receiving Party by a third party not in violation of any obligation of confidentiality; or (v) is independently developed by the Receiving Party without reference to Confidential Information of the Disclosing Party, as evidenced by such Party's written records.

6.2 Protection of Confidential Information. The Receiving Party will not use any Confidential Information of the Disclosing Party for any purpose other than performing its obligations or exercising its rights under this Agreement, and will disclose the Confidential Information of the Disclosing Party only to Receiving Party's employees, agents, directors, officers, auditors, regulators and contractors on a "need to know" basis, provided such persons are under a contractual obligation with Receiving Party to maintain the confidentiality of such Confidential Information, which obligation is consistent with, and no less protective of Confidential Information, than the terms of this Section 6.2. The Receiving Party will protect the Disclosing Party's Confidential Information from unauthorized use, access, or disclosure in the same manner as the Receiving Party

protects its own confidential or proprietary information of a similar nature and with no less than reasonable care. Notwithstanding the foregoing, Confidential Information may be disclosed as required by law or by order of a court of competent jurisdiction. In such event and if reasonably possible under the circumstances of disclosure, the Receiving Party will provide the Disclosing Party with prompt prior notice of such obligation in order to permit the Disclosing Party an opportunity to take legal action to prevent or limit the scope of such disclosure. Unauthorized disclosure or use of the Disclosing Party's Confidential Information may cause irreparable harm to the Disclosing Party for which recovery of money damages would be inadequate; consequently, the Disclosing Party shall be entitled to timely injunctive relief to protect its rights under this Section 6.2, in addition to any and all remedies available at law or in equity.

6.3 Confidentiality of Agreement. Other than as permitted in this Agreement, neither Party will disclose any terms of this Agreement to anyone other than its attorneys, accountants, and other professional advisors under a duty of confidentiality except: (a) as required by law; or (b) pursuant to a mutually agreeable press release; or (c) in connection with a proposed merger (of any kind), any debt or equity financing, in connection with a public offering of shares or sale of such Party's business.

6.4 Return of Confidential Information. Within thirty (30) days of the termination of the Agreement, for any reason, each Receiving Party shall return to Disclosing Party all Confidential Information, including any copies thereof which were, at any time, in the possession of receiving Party, and all materials (in any medium whatsoever), which contain or embody Confidential Information, and shall cease to make any further use of Confidential Information.

7. REPRESENTATIONS AND WARRANTIES.

7.1 Mutual Representations and Warranties. Each Party hereby represents and warrants as of the Effective Date and at all times throughout the term of this Agreement: (a) it has the full corporate right, power and authority to enter into this Agreement and to perform its obligations hereunder; (b) the execution of this Agreement by such Party and performance of its obligations thereunder comply with all applicable laws, rules, and regulations (including privacy, export control and obscenity laws); (c) when executed and delivered, this Agreement will constitute a legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms; and (d) the execution, delivery and performance of this Agreement by such Party will not violate any agreement or instrument to which such Party is a party or is otherwise bound.

7.2 Licensor Warranties. Licensor represents and warrants that: (i) Licensor has the requisite right and authority to grant to Licensee the rights and licenses granted under this Agreement, including but not limited to the necessary Intellectual Property Rights and there are no restrictions which could or would prevent Licensee from exercising any rights granted hereunder; (ii) Licensor shall perform all Services requested by Licensee under this Agreement or a Statement of Work on a professional reasonable effort basis in accordance to the standards prevailing in the industry and in a diligent, workmanlike and

expeditious manner; (iii) to Licensor's knowledge, no Software, or any part thereof, delivered to Licensee hereunder shall infringe on any third party patent, copyright, trade secret or other Intellectual Property Right; (iv) neither the Software nor any portion thereof contains or is included in, is derived from, was developed using or with reference to, or is distributed with any Open Source Software unless disclosed by Licensor in writing or in notices within the Software; and (v) the Services, in all material respects, will be performed in accordance with, and the Software, in all material respects, will conform to, all regulatory requirements and standards, if any. In the event of a breach of any of the foregoing warranties, Licensee shall notify Licensor of such breach after the Services are rendered and/or the Software is delivered to Licensee (as the case may be) and Licensor shall re-perform the Services or re-deliver the Software, as the case may be, so that they conform to the applicable warranty. In addition to the foregoing, Licensor represents and warrants that it holds all permits, licenses and similar authority necessary for the performance of its obligations hereunder.

7.3 Software Support. Software is supported, not warrantied. Licensor agrees to use commercially reasonable efforts to ensure, for one (1) year, commencing upon delivery of the Software to each End User hereunder ("Support Period"), that the Software shall operate in substantial conformity to the Specifications and Documentation ("Support"). To the extent Software fails to conform to the Specifications, Licensor shall, at its sole discretion, either: (a) remedy the purported non-conformity within a reasonable time; or (b) replace the Software within a reasonable time with Software having substantially similar functionality, provided, that Licensee notifies Licensor in writing of any defect or nonconformity covered by this Support within a reasonable time of discovering the defect or non-conformity.

7.4 Due Diligence. Licensor warrants that it has made due inquiry regarding, and performed a due diligence review with respect to, the Intellectual Property Rights and nothing has come to the attention of Licensor in the scope of its due diligence review that gave it reason to believe that such warranties are or may be untrue in any respect. Licensee warrants that it has made due inquiry regarding the Licensor Software and that this is an arms-length transaction entered into freely by Licensee based on Licensee's best interest and diligence as to the cost versus the benefits of this Agreement. Licensee further represents that Licensor, a recent Affiliate, has not unduly influenced Licensee to enter into this Agreement, and that Licensee enters into the Agreement, with all of the benefits, conditions, and limitations therein, freely and in pursuit of Licensee's own best interests, independent of Licensor's influence or best interests.

7.5 No Implied Warranties. THE EXPRESS WARRANTIES AND SUPPORT IN THIS AGREEMENT ARE IN LIEU OF AND TO THE EXCLUSION OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. SUBJECT TO THE EXPRESS WARRANTIES IN THIS AGREEMENT, LICENSOR DOES NOT WARRANT THAT THE OPERATION OF THE LICENSED PROGRAM WILL BE UNINTERRUPTED OR ERROR FREE. THE WARRANTY DOES NOT COVER ANY MEDIA OR DOCUMENTATION THAT HAS BEEN SUBJECT TO DAMAGE OR ABUSE. THE SOFTWARE WARRANTY COVERS ONLY THE UNMODIFIED PRODUCT DELIVERED BY LICENSOR AND DOES NOT COVER ANY PROBLEMS CAUSED BY ALTERATIONS OR CHANGES MADE BY ANYONE OTHER THAN LICENSOR. LICENSOR IS NOT RESPONSIBLE FOR PROBLEMS CAUSED BY CHANGES IN THE OPERATING CHARACTERISTICS OF COMPUTER HARDWARE OR COMPUTER OPERATING SYSTEMS MADE AFTER DELIVERY OF THE LICENSED PROGRAM, NOR FOR PROBLEMS IN THE INTERACTION OF THE SOFTWARE WITH NON-LICENSOR SOFTWARE EXCEPT AS SET FORTH OTHERWISE IN THE SPECIFICATIONS FOR THE SOFTWARE.

8. INDEMNITY.

8.1 Indemnification by Licensor. Licensor shall defend, indemnify and hold harmless Licensee, its Distributors and their officers, directors, employees, shareholders, customers, agents, successors and assigns from and against any and all loss, damages, liabilities, settlement, costs and expenses (including legal expenses and the expenses of other professionals) as incurred, resulting from or arising out of any third party claim which alleges that Software or any part thereof or the Licensee's use authorized under this Agreement infringes or misappropriates any Intellectual Property Right of a third party.

8.2 Licensor's Efforts. If the use of Software is enjoined or is found by a court of competent jurisdiction to be infringing the Intellectual Property Rights of a third party, without prejudice to the indemnification obligations set forth in Section 8.1 above, Licensor's sole liability and Licensee's sole remedy shall be to: (a) obtain a license from such third party for the benefit of Licensee; or (b) replace or modify the infringing Software, or any part thereof, so that it is no longer infringing and substantially complies with the Specifications.

8.3 Indemnification Procedures. If any Party entitled to indemnification under this article (an "Indemnified Party") makes an indemnification request to the other, the Indemnified Party shall permit the other Party (the "Indemnifying Party") to control the defense, disposition or settlement of the matter at its own expense; provided that the Indemnifying Party shall not, without the consent of the Indemnified Party, enter into any settlement or agree to any disposition that imposes any conditions or obligations on the Indemnified Party. The Indemnified Party shall notify the Indemnifying Party promptly of any claim for which the Indemnifying Party is responsible and shall reasonably cooperate with the Indemnifying Party to facilitate defense of any such claim. An Indemnified Party shall at all times have the option to participate in any matter or litigation, including but not limited to participation through counsel of its own selection, if desired, the hiring of such separate counsel being at Indemnified Party's own expense.

8.4 Limitation. Licensor shall have no obligation to defend the Indemnified Parties or to pay any costs, damages, or attorneys' fees for any claim to the extent based upon, (i) infringement would not be alleged if Software or IP License was not attached or embedded in a Product incorporating elements not sourced from Licensor or (ii) use of other than a current, unmodified release of the Software if such infringement would have been avoided by the use of a current, unaltered release of the Software.

9. LIMITATION OF LIABILITY.

EXCEPT FOR INDEMNIFICATION OBLIGATIONS OR BREACH OF SECTION 2.3 OR CONFIDENTIALITY OBLIGATIONS SET FORTH IN THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY'S LIABILITY ARISING OUT OF THIS AGREEMENT EXCEED FOUR MILLION DOLLARS. EXCEPT FOR INDEMNIFICATION OBLIGATIONS OR BREACH OF SECTION 2.3 OR CONFIDENTIALITY OBLIGATIONS SET FORTH IN THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY HAVE ANY LIABILITY ARISING OUT OF, OR OTHERWISE RELATING TO, THIS AGREEMENT, FOR CONSEQUENTIAL, INCIDENTAL, SPECIAL, COLLATERAL, PUNITIVE, EXEMPLARY, OR INDIRECT DAMAGES SUFFERED BY THE OTHER PARTY OR ANY THIRD PARTY INCLUDING, WITHOUT LIMITATION, LOSS OF GOODWILL, LOSS OF PROFITS OR REVENUES, LOSS OF SAVINGS, LOSS OF USE, INTERRUPTION OF BUSINESS, INJURY OR DEATH TO PERSONS OR DAMAGE TO PROPERTY, WHETHER BASED ON BREACH OF CONTRACT, TORT OR ARISING IN EQUITY, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE PARTIES ACKNOWLEDGE THAT THE LIMITATIONS OF LIABILITY IN THIS SECTION 9 AND IN THE OTHER PROVISIONS OF THIS AGREEMENT AND THE ALLOCATION OF RISK HEREIN ARE AN ESSENTIAL ELEMENT OF THE BARGAIN BETWEEN THE PARTIES, WITHOUT WHICH LICENSEE WOULD NOT HAVE ENTERED INTO THIS AGREEMENT AND PRICING REFLECTS THIS ALLOCATION OF RISK AND THE LIMITATION OF LIABILITY SPECIFIED HEREIN. THIS LIMITATION ON LIABILITY SHALL NOT APPLY TO ANY UNDISPUTED PAYMENT AMOUNTS NOT YET PAID BUT DUE LICENSOR UNDER THIS AGREEMENT NOR TO LICENSOR'S INDEMNITY OBLIGATIONS FOR THIRD PARTY CLAIMS UNDER SECTION 8.

10. MISCELLANEOUS.

10.1 Force Majeure. Except as specifically provided elsewhere in this Agreement, neither Party shall be liable to the other for delays in performing or for its failure to perform any obligation under this Agreement to the extent that such delays or failures result from or arise out of causes beyond such Party's control or reasonable expectation, including, by way of illustration but not limitation, fire, flood, war, weather of exceptional severity, civil disturbance, strikes or work stoppages, acts of God or of the public enemy, acts of any government, extended power failures, large increases in Internet activity in a short period of time (commonly known as usage spikes), attacks on the Party's computer network or server, viruses which are not preventable through generally available retail products, and catastrophic hardware and telecommunications failures.

10.2 Compliance with Laws. Each Party shall comply with all federal, state and local laws and regulations, as amended from time to time, applicable to the performance of its obligations hereunder. Licensor and Licensee understand and acknowledge that the Software may be subject to the export regulations of the United States Export Administration Act of 1979, as amended, or a successor act. Licensor and Licensee represent that they will not knowingly permit the exportation or transshipment of all or any part of the Software in violation of the above-referenced law and regulations. Each Party agrees to indemnify and hold the other Party harmless from any and all costs, damages, fines, and other expenses incurred by reason of its violations of these representations.

10.3 Relationship of Parties. The parties are independent contractors under this Agreement and no other relationship is intended, including a partnership, franchise, joint venture, agency, employer/employee, fiduciary, master/servant relationship, or other special relationship. Neither Party shall act in a manner which expresses or implies a relationship other than that of independent contractor, nor bind the other Party.

10.4 Equitable Relief. Each Party acknowledges that a breach by the other Party of any confidentiality or proprietary rights provision of this Agreement may cause the non-breaching Party irreparable damage, for which the award of damages would not be adequate compensation. Consequently, the non-breaching Party may institute an action to enjoin the breaching Party from any and all acts in violation of those provisions, which remedy shall be cumulative and not exclusive, and a Party may seek the entry of an injunction enjoining any breach or threatened breach of those provisions, in addition to any other relief to which the non-breaching Party may be entitled at law or in equity.

10.5 Governing Law; Venue. This Agreement and any action related thereto shall be governed, controlled, interpreted and defined by and under the laws of the State of Colorado and the United States, without regard to the conflicts of laws provisions thereof. The parties specifically disclaim the UN Convention on Contracts for the International Sale of Goods. Any dispute or litigation based on, related to or arising out of this Agreement must be brought and maintained in Denver County, Colorado, before a court of competent jurisdiction. Each Party consents to the personal jurisdiction of the State of Colorado, acknowledges that venue is proper in any of its state or federal courts, and waives any objection it has or may have in the future with respect to any of the above.

10.6 Attorneys' Fees. In addition to any other relief awarded, the prevailing Party in any action arising out of this Agreement shall be entitled to its reasonable attorneys' fees and costs.

10.7 Notices. All notices, demands, and other communications given or delivered under this Agreement shall be in writing and shall be deemed to have been given, (a) when received if given in person, (b) on the date of electronic confirmation of receipt if sent by facsimile, other wire transmission, or by e-mail, (c) three days after being deposited in the U.S. mail, certified or registered mail, postage prepaid, or (d) one day after being deposited with a reputable overnight courier. Notices, demands, and communications to the parties shall, unless another address is specified in writing, be sent to the address, e-mail address or facsimile number indicated on the signature page.

10.8 Assignment. Licensee shall not transfer or assign any of its rights or delegate any of its obligations, in whole or in part, whether voluntarily or by operation of law, without the prior written consent of Licensor; provided, however, that either Party may, without securing such prior consent, assign this Agreement and its rights and obligations to any successor of such first Party by way of merger, consolidation, or the acquisition of substantially all of the assets of such first Party or of the assets of the business to which this Agreement relates by delivering a written undertaking from the assignee to be legally bound by the terms and conditions of this Agreement. Notwithstanding anything to the contrary, Licensor may perform its obligations, in whole or in part, in Licensor's sole discretion, through authorized third parties or Affiliates.

EXCEPT WITH RESPECT TO EXISTING INDEBTEDNESS IN FAVOR OF INSTITUTIONAL LENDERS OF LICENSEE OR ANY OF ITS AFFILIATES, OR ANY REFINANCINGS OR REPLACEMENTS THEREOF, LICENSEE SHALL NOT PLEDGE, USE, OR OFFER FOR COLLATERAL, OR IN ANY WAY ENCUMBER OR TREAT AS AN ASSET OR SECURITY, FOR THE PURPOSE OF OBTAINING CREDIT OR INVESTMENT, THIS AGREEMENT, LICENSE, THE SOFTWARE, OR ANY OF THE RIGHTS GRANTED HEREIN. LICENSOR DISCLAIMS AND REFUSES ANY ASSIGNMENT BY LICENSEE, FOR THE BENEFIT OF THIRD PARTY CREDITORS, INVESTORS, OR ANY OTHER ENTITY, OF ANY RIGHT, TITLE OR CLAIM IN AND TO THE LICENSE, SOFTWARE, OR IN THIS AGREEMENT.

10.9 Waiver and Modification. Failure by either Party to enforce any provision of this Agreement will not be deemed a waiver of future enforcement of that or any other provision. Any waiver, amendment or other modification of any provision of this Agreement will be effective only if in writing and signed by the parties.

10.10 Severability. If for any reason a court of competent jurisdiction finds any provision of this Agreement to be unenforceable, that provision of the Agreement will be enforced to the maximum extent permissible so as to affect the intent of the parties, and the remainder of this Agreement will continue in full force and effect.

10.11 Headings. Headings used in this Agreement are for ease of reference only and shall not be used to interpret any aspect of this Agreement.

10.12 Entire Agreement. This Agreement, including all Exhibits which are incorporated herein by reference, and the Supply Agreement constitute the entire agreement between the parties with respect to the subject matter hereof, and supersede and replace all prior and contemporaneous understandings or agreements, written or oral, regarding such subject matter. To the extent any terms and conditions of this Agreement conflict with the terms and conditions of any Exhibit or Statement of Work entered into by the Parties hereunder, the terms and conditions of this Agreement shall govern and control.

10.13 Counterparts/Facsimiles. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed an original, and such counterparts together shall constitute one and the same instrument.

10.14 Purchase of Software. All references in this Agreement to the “purchase” or “sale” of Software shall mean the acquiring or granting, respectively, of a license to use the Software, and to exercise any other rights pertaining to such Software which are expressly set forth herein. The Software is licensed, not sold, and title does not transfer.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by persons duly authorized as of the date and year first above written.

Cuattro, LLC

/s/ Kevin S. Wilson
Authorized Signature

Kevin S. Wilson
Officer, Units Holder, and Manager

February 22, 2013
Date

Address for Notice:
63 Avondale Lane
Villa Montane, #C2
Beaver Creek, CO 81620

Attn: Kevin S. Wilson

Heska Imaging US, LLC

/s/ Jason Napolitano
Authorized Signature

Jason Napolitano
Manager

February 22, 2013
Date

Address for Notice:
3760 Rocky Mountain Avenue
Loveland, CO 80538

Attn: Jason Napolitano

EXHIBIT A1

SOFTWARE:

Acquisition Software has the following features:

- DICOM Database for Doctor and Patient Demographics and Exam/Image metadata
- Acquire Digital Radiograph images and data from detector devices
- User Interface for Veterinary specific use
- Transfer data to DICOM image formats via DICOM network or other media
- Enhance using ContextVision GOP and ADi licensed technologies (extra costs apply)
- Control of Uno™ brand of hardware of Licensor
- Control of CloudDR™ brand of hardware of Licensor
- DICOM interface and Store to CloudBank™ brand
- DICOM archival
- Copilot™ support functionality and connections

LICENSEE	LICENSOR
Heska Imaging US, LLC	Cuattro, LLC
By: /s/ Jason Napolitano	By: /s/ Kevin Wilson
Name: Jason Napolitano	Name: Kevin Wilson
Title: Manager/Chief Financial Officer	Title: Member

EXHIBIT A2

COVERED AFFILIATES

- Heska Corporation
- Diamond Animal Health, Inc.

Exhibit 10.59

Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 24b-2 of the General Rules and Regulations under the Securities Exchange Act. Omitted information, marked "[***]" in this exhibit, has been filed with the Securities and Exchange Commission together with such request for confidential treatment.

SUPPLY AGREEMENT

This Supply Agreement (the "Agreement") is made and entered into as of February 24, 2013 (the "Effective Date") by and among **Cuattro, LLC**, a Colorado limited liability company ("LLC"), and **Heska Imaging US, LLC**, a Delaware limited liability company formerly known as Cuattro Veterinary U.S.A., LLC ("Vet USA"). In this Agreement LLC and Vet USA may be individually referred to as a "Party" and collectively as the "Parties."

RECITALS:

A. Vet USA has entered into that certain Amended and Restated Master License Agreement with LLC dated as of February 22, 2013 ("License Agreement") whereby Vet USA has the right to sublicense the software described in the License Agreement (the "Software").

B. LLC designs, develops and procures software and hardware components. LLC may sell the software and components individually or it may assemble, inspect, test and then deliver as "ready for shipment" digital imaging products.

C. Vet USA wishes to use the Software in connection with its sale or lease of the products which it purchases from LLC.

D. Vet USA wishes to minimize its costs by using LLC's existing and future technologies, maintenance, research, development, and deployment infrastructure and expertise.

E. Vet USA is also interested in reducing its costs by ordering all of its major components from LLC. The Parties believe this will enable LLC to obtain volume discounts and reduced pricing, for the benefit of Vet USA and LLC.

F. Vet USA wishes LLC to provide it with its digital imaging products and technical help. After a product or Software is delivered and accepted by Vet USA, Vet USA wishes LLC to provide warranty and support to Vet USA in support of those products.

G. Vet USA and LLC previously entered into that certain Management Agreement dated as of November 1, 2012 (the "Management Agreement"), which Management Agreement is superseded in its entirety by this Agreement.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants and conditions set forth in this Agreement, the Parties to this Agreement agree as follows:

1. Appointments.

1.1. LLC hereby appoints Vet USA to be the exclusive distributor either for itself or through authorized third party or affiliated distributors, representatives or resellers ("Distributors") of the Products to Customers, in the Territory, as those terms are defined in Exhibit A "Products" and Exhibit B "Market, Territory, Customers"; with exclusive rights to sell, rent, license or otherwise provide Products (including the third party equipment sold to Vet USA by LLC (the "Equipment") included in, and services related to, the Products) to such Customers.

(a) Vet USA accepts such appointment and Vet USA agrees to use reasonable commercial efforts to actively market and sell the Products to Customers.

(b) Vet USA agrees to use reasonable commercial efforts to ensure that Distributors adhere to the terms of this Agreement and the License Agreement.

1.2. Vet USA hereby agrees that LLC shall be its exclusive provider of Services (as defined in Section 3 of this Agreement) and Software licensed under the License Agreement.

2. Termination; Post-Termination Supply.

2.1. Term. The initial term of this Agreement shall commence as of the Effective Date and continue through December 31, 2022 ("Initial Term"). Commencing on January 1, 2023, this Agreement shall continue on a year-to-year basis unless on or before September 30 of any calendar year (i) Vet USA notifies LLC in writing that it wishes to terminate the Agreement, provided, that such termination shall be effective as of December 31st of the third calendar year following the year in which such notification is given (such period, a "Vet USA Cancellation Term"), or (ii) LLC notifies Vet USA in writing that it wishes to terminate the Agreement, provided, that such termination shall be effective as of December 31st of the fifth calendar year following the year in which such notification is given (such period, an "LLC Cancellation Term"). During a Vet USA Cancellation Term or LLC Cancellation Term, Vet USA shall be free to develop, but not commercialize or sell, Competitive Products (as defined in Section 10.5 below); provided, however, that in no case shall those Competitive Products developed during such period be based upon Confidential Information of LLC, the Intellectual Property of LLC, the Products, or benchmarks or derivatives of the Products.

2.2. Termination for Cause. Notwithstanding Section 2.1, this Agreement may be terminated before the expiration of the Initial Term and/or any renewal term as follows (each of the following a termination for "Cause"):

(a) Either Party may terminate this Agreement by delivering written notice to the other Party upon the occurrence of any of the following events: (i) a receiver is appointed for the other Party or its property; (ii) if the other Party makes a general assignment for the benefit of its creditors; (iii) if the other Party commences, or has commenced against it, proceedings under any bankruptcy, insolvency or debtor's relief law, which proceedings are not dismissed within ninety (90) days; (iv) if the other Party is liquidated or dissolved, (v) if the other Party becomes unable to make payment of amounts due to creditors in a timely and dependable fashion;

(b) Either Party may terminate this Agreement effective upon written notice to the other if the other Party violates any covenant, agreement, representation or warranty contained herein in any material respect or defaults or fails to perform any of its obligations or agreements hereunder in any material respect, or fails to make any payment when due, which violation, default or failure is not cured within ninety (90) days after notice thereof from the non-defaulting Party stating its intention to terminate this Agreement by reason thereof; or

(c) Either Party may terminate this Agreement effective upon written notice to the other if the License Agreement is terminated or voided for any reason; provided, however, that termination of this Agreement pursuant to this Section 2.2(c) will only be deemed for Cause if the License Agreement was terminated for Cause in accordance with its terms.

2.3. Failure to Meet Minimum Annual Volume. If, during calendar year 2013 or 2014 Vet USA does not purchase the Minimum Annual Volume (as defined in Section 9.3 below) for such calendar year, Vet USA will pay to LLC the amount due for such shortfall pursuant to the pricing terms and conditions set forth in this Agreement (the "Take or Pay Payment"). LLC shall invoice Vet USA for the amount of such Take or Pay Payment within thirty (30) days following the end of each calendar year in which such Take or Pay Payment has accrued, and Vet USA shall pay the Take or Pay Payment amount within thirty (30) days after receipt of such invoice. Beginning in calendar year 2015 and thereafter, in the event Vet USA does not purchase the Minimum Annual Volume in any calendar year, (i) LLC shall have the right, but not the obligation, to terminate this Agreement upon ninety (90) days written notice to Vet USA on or before April 30th of the following calendar year, and (ii) LLC shall be free of exclusivity obligations hereunder and may sell all Products to Customers or any third party thereafter.

2.4. Post Termination Supply Period. For five (5) years from the date of termination of the Agreement, LLC shall make available the Products, Support, and Services ("Post Termination Supply Period"). During the Post Termination Supply Period both LLC and Vet USA shall be free of exclusivity and commercialization obligations hereunder. If the Agreement is terminated by LLC for Cause, there will be no obligation of LLC under Post Termination Supply Period. During Post Termination Supply Period, Vet USA shall have the right to sell off or otherwise distribute any Products that Vet USA held in inventory as of termination of this Agreement to any existing or future Customer; provided, however, any Products purchased by Vet USA from LLC during the Post Termination Supply Period may only be sold or otherwise distributed to existing Customers to repair or replace Products owned by such Customers prior to termination of this Agreement.

(a) In the event that the Agreement is terminated by LLC pursuant to Section 2.3 above, then, during the Post Termination Supply Period, Vet USA shall (i) have the right (but not the obligation) to purchase Products, Support and Services, without the obligations under Section 1.1(a), under pricing terms for Products, Support and Services that shall be set under the rate provided for in this Agreement, multiplied by 1.65, rather than as set forth in Section 6 below.

(b) In the event that the Agreement is terminated (i) by Vet USA for Cause, or (ii) pursuant to a Vet USA Cancellation Term or LLC Cancellation Term, then at Vet USA's option in its sole discretion Vet USA's rights and benefits (but not its obligations under the second sentence of Section 1.1) to purchase Products, Support, and Services hereunder, and LLC's obligation to provide such Products, Support and Services, shall continue for the Post Termination Supply Period, at the prices and costs set forth in Section 6 below.

2.5. Payment Obligations. All monies owed to LLC for purchases of Products prior to termination shall become immediately due and payable and no cancellation or termination of this Agreement shall serve to release Vet USA or its successors or assigns from any payment obligations under this Agreement. Failure by LLC at any time to require payment from Vet USA under this Agreement shall not affect LLC's right to require payment at a later date. All orders received by LLC prior to termination shall be filled in accordance with, and subject to the terms and conditions hereof, and Vet USA shall make all payments with respect thereto as provided herein.

2.6. Survival of Obligations. The provisions of Sections 2.4, 2.5, 3.4, 3.5, 6, 7, 8.5, 8.6, 9, 10.7, 11, 12, 13, 14, 16, 17, and 18 and such other provisions that by their nature survive termination, shall survive during the Post Termination Supply Period. The provisions that by their nature survive termination, shall survive the expiration or termination of this Agreement and the Post Termination Supply Period and continue to be enforceable in accordance with their respective terms and conditions set forth in this Agreement.

3. Services. In making the Services available during this Agreement, LLC shall use substantially the same degree of care as it employs in making the same Services available for its own operations to its other customers. During the Initial Term of this Agreement and any renewal term (and with respect to Sections 3.4 and 3.5, also during the Post Termination Supply Period), LLC shall provide Vet USA with the following with respect to the Products (collectively, the "Services"):

3.1. Product Development. LLC will source, test, develop, and perform product research and development, including without limitation, that specified in Section 8, development of specifications and pricing targets.

3.2. Training. LLC will provide Vet USA with a reasonable amount of training (not to exceed five (5) days per calendar year) in the proper use and day to day routine support of the Products, as may be reasonably requested by Vet USA, in order for Vet USA to be able to exercise its rights herein. Training will be scheduled by mutual agreement as to frequency, date, and location. Costs for round trips, meals, lodging, and other expenses of the dispatched personnel of LLC for training shall be borne by Vet USA.

3.3. Support Materials. As they are available for general release, LLC will make available to Vet USA, for download in electronic format, LLC's customer service materials, training materials, troubleshooting materials, and marketing materials, for use by Vet USA in developing its own materials. LLC agrees to cooperate with Vet USA by providing documents and information necessary for regulatory filings.

3.4. PACS and Data Hosting. LLC shall provide to Vet USA, to the extent reasonably requested and paid for pursuant to this Agreement and the License Agreement, the services to be provided by Vet USA to a Customer as listed under Exhibit C "Master Warranty and Support Terms and Conditions" ("MWSTC") that is in force and enforceable with that Customer, or otherwise reasonably necessary from time to time to distribute and support Products in accordance with this Agreement, including but not limited to, the services set forth under the PACS and Data Hosting portion of Exhibit A.

3.5. Logistics and Management. LLC shall provide to Vet USA, to the extent reasonably requested and paid for pursuant to this Agreement and the License Agreement the logistics and management services set forth on Exhibit D; provided, however, that if after one year from the commencement of this Agreement, or earlier by mutual written agreement, Vet USA requests in writing to remove a specific service set forth on Exhibit D, following ninety (90) days notice, LLC shall cease to provide such service and shall not be obligated to provide such service thereafter.

4. *[Intentionally omitted]*.

5. Software Products. LLC will provide Vet USA the licenses to Software, for Customers in the Territory, subject to payment of all amounts when due, in accordance with the terms and conditions of the License Agreement and MWSTC. Software excludes the operating system of the computer CPU.

5.1. Updates and Fixes. LLC will correct or cause to be corrected any failure of Software to perform substantially in accordance with LLC's documentation, including corrections for programming errors, bug fixes and error corrections, either by updating or replacing the Software or by taking appropriate corrective action.

5.2. Compatibility Updates. LLC will provide or cause to be provided such updates to the Software as are necessary to make the Software compatible with new releases of the Equipment and operating systems approved by LLC on which the Software is licensed to run; provided, however, that LLC shall ensure that the Software is compatible with at least one version of the Equipment and operating systems that are then currently supported by their manufacturers. Updates shall be provided to Vet USA via Internet upload and will include necessary documentation.

5.3. Software Support. During the term of this Agreement and during the Post Termination Supply Period, LLC agrees to use commercially reasonable efforts to provide to Vet USA the support offered to Customers in the Software Support Agreement of MWSTC ("Support") during the Initial Support Term and any Renewal Support Option (as defined in the MWSTC) for which Vet USA has paid pursuant to Section 6.3 hereof. Notwithstanding anything in this Section 5.3, Support shall end on the final day of the Post Termination Supply Period, unless otherwise agreed to in writing, in advance, by and between LLC and Vet USA or LLC and Customer(s).

6. Compensation. In consideration of LLC's performance pursuant to this Agreement, Vet USA agrees to pay LLC as follows:

6.1. Subject to Section 2.4 above, LLC agrees to the provide Vet USA the following services on an ongoing basis. The services in (a), (b), (c) and (f) shall be at the lower of the prices set forth below or the prices, terms and discounts offered to other resellers or distributors of LLC, excepting only those human medical distributors or resellers located, and for distribution, in China (the "MFN Pricing"):

Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 24b-2 of the General Rules and Regulations under the Securities Exchange Act. Omitted information, marked "[***]" in this exhibit, has been filed with the Securities and Exchange Commission together with such request for confidential treatment.

(a) A fee of [***] for each Study under Data Hosting (as defined and limited by MWSTC);

(b) A fee of [***] for each Data Migration (as defined and limited by MWSTC). Such Data Migration shall only occur upon LLC's receipt of a purchase order from Vet USA;

(c) A fee of [***] for adding each DICOM Node (as defined and limited by MWSTC). Such DICOM Node addition shall only occur upon LLC's receipt of a purchase order from Vet USA;

(d) An annual fee, payable on March 1 of each calendar year, of [***] for Data Hosting usage and availability, including any upgrades, updates, fixes, or enhancements, if any, of Data Hosting;

(e) Timely payment of License Agreement fees;

(f) A fee of [***], plus reimbursable, actual, documented travel expenses and incidentals submitted on an expense form, for performance of an on-site installation, service call, warranty call, demonstration, or education of a Vet USA customer by an LLC employee; and

6.2. The price for those portions of the Products not otherwise set forth in Section 6.1 above, at LLC's cost (see Section 11 "Prices");

6.3. A monthly fee for the Support services set forth in Section 5.3. The monthly fee shall be at LLC's cost for services provided. LLC's cost shall be allocated pro rata on the basis of total gross revenues amongst Vet USA and all affiliates of LLC being provided such Support; provided, however, LLC may make a one time election upon written notice to Vet USA to change such allocation to the basis of total time spent providing Support among Vet USA and all affiliates of LLC being provided such services from time to time. The monthly fee for Support will be invoiced monthly and payable net 30 days from the date of Vet USA's receipt of each such invoice. Such fees shall be payable by Vet USA only for so long as such services are being provided to Vet USA.

6.4. A monthly logistics and management fee for the services set forth on Exhibit D to this Agreement. The monthly fee shall be at LLC's cost for services provided. For any specific LLC cost that is solely for the benefit of Vet USA, 100% of that cost will be allocated to Vet USA. For any specific LLC cost that is for the benefit of Vet USA and another affiliate of LLC, such cost shall be allocated pro rata on the basis of total gross revenues among Vet USA and all affiliates of LLC being provided such services from time to time, to be invoiced monthly and payable net 30 days from the date of Vet USA's receipt each such invoice. Such fees shall be payable by Vet USA only for so long as such services are being provided to Vet USA.

7. Disclaimer, Limited Liability. **EXCEPT FOR BREACH OF CONFIDENTIALITY OBLIGATIONS SET FORTH IN THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY'S LIABILITY ARISING OUT OF THIS AGREEMENT EXCEED FOUR MILLION DOLLARS. EXCEPT FOR BREACH OF CONFIDENTIALITY OBLIGATIONS SET FORTH IN THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY HAVE ANY LIABILITY ARISING OUT OF, OR OTHERWISE RELATING TO, THIS AGREEMENT, FOR CONSEQUENTIAL, INCIDENTAL, SPECIAL, COLLATERAL, PUNITIVE, EXEMPLARY, OR INDIRECT DAMAGES SUFFERED BY THE OTHER PARTY OR ANY THIRD PARTY INCLUDING, WITHOUT LIMITATION, LOSS OF GOODWILL, LOSS OF PROFITS OR REVENUES, LOSS OF SAVINGS, LOSS OF USE, INTERRUPTION OF BUSINESS, INJURY OR DEATH TO PERSONS OR DAMAGE TO PROPERTY, WHETHER BASED ON BREACH OF CONTRACT, TORT OR ARISING IN EQUITY, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.**

8. Research and Development Obligations of LLC. During the term of this Agreement, LLC will continue to perform its usual and customary research and development activities in the ordinary course of business. When not limited or prohibited by contractual limitations, provided that LLC uses commercially reasonable efforts to avoid such limitations, any results of LLC's research and development efforts that can be commercialized in the Territory will be added to "Products" on Exhibit A of this Agreement, at Vet USA's option.

8.1. LLC Modification and Upgrades to Products. LLC will use commercially reasonable efforts to update the Products so that they will be competitive in the Territory. LLC agrees to use commercially reasonable efforts to provide Vet USA with such new Equipment or Software modifications or upgrades, under terms that are reasonable and negotiated in good faith between the Parties. In the event that such upgrades or modifications include substantial development work, LLC will provide an estimate and a scope of work to Vet USA for the non-recurring engineering fee for such work ("New Development Cost"). Vet USA shall approve or disapprove of the New Development Costs. If Vet USA declines to approve New Development Costs, LLC shall be under no obligation to provide Vet USA the resulting Products, Software, features, modifications, benefits, or upgrades, arising from the New Development Costs, or future iterations arising therefrom.

8.2. Distribution of Modifications and Upgrades. Vet USA shall have the right to implement new versions of the Equipment and Software as they become available. Vet USA may upgrade any field inventory and implement the new versions subject to Vet USA's timetable for minimizing rework and obsolescence, provided however that Vet USA shall bear all costs for such work, rework, or upgrades to field Equipment or Software, whether owned by Vet USA or End User customers of Vet USA.

8.3. Vet USA Proposed Enhancements. Vet USA may, from time to time, request significant functionality enhancements to Software or Equipment. Vet USA shall communicate the proposed enhancement, with a written request. LLC will respond with a written estimate of the scope of work and the total fee, if any, for the proposed enhancement. If LLC, in its sole and absolute discretion, agrees to develop any such enhancements, the Parties may enter into a mutually agreeable written scope of work, setting forth the terms and conditions, price, and New Development Costs of the development of such enhancements, which may provide for additional payments by Vet USA to LLC. The fee for any such enhancements will be paid at a rate agreed upon by the parties. The Intellectual Property shall accrue solely to LLC, unless otherwise agreed to in writing, in advance, by the Parties.

8.4. Product Modifications. Effective nine (9) months after providing written notice to Vet USA, LLC may discontinue the manufacture of any specific Product, provided that LLC shall (i) maintain the capability to repair or replace, with new or used items, the discontinued Products as required by in force MWSTC for each Product sold (but not for Products for which warranty and support coverage pursuant to MWSTC has expired and in no case longer than five (5) years from the time the Product was delivered or sold to Vet USA), and (ii) maintain the capability to provide documentation and spare parts (at a price not to exceed (3) three times actual out of pocket cost) for discontinued Products for a minimum of five (5) years after the written notice of such removal. LLC may make changes to any manufacturing source, controlled process parameters or sources and materials used with respect to the production of any of the Products and to otherwise modify any of the Products; provided, however, that LLC will provide Vet USA with at least sixty (60) days written notice of any changes in the form, fit, performance, or function of any of the Products, along with details of such changes. In the event LLC replaces or updates a Product, Vet USA shall be entitled to acquire the updated or replaced version under the same terms as set forth in this Agreement. Pricing and relevant terms and conditions for new products and new product lines, intended for use by Customers in the Territory, shall be negotiated in good faith by the Parties and shall, unless otherwise negotiated in good faith and agreed to in writing by the Parties, be based upon the same pricing, Costs (as defined in Section 11.2 below), and logistics fee principles as set forth herein.

8.5. Original Manufacturer Disclosure. The Parties understand and agree that Products may be manufactured by suppliers of LLC (each an "Original Manufacturer"). Product from an Original Manufacturer will be subject to the terms and conditions negotiated between LLC and the Original Manufacturer, from time to time. During any negotiations with an Original Manufacturer, LLC shall use its most reasonable commercial efforts to maintain terms and conditions consistent with this Agreement. In the event of a materially adverse change, as it relates to this Agreement, in terms or conditions between LLC and an Original Manufacturer, LLC shall notify Vet USA of such materially adverse changes and the Parties shall use their most commercially reasonable efforts to mitigate the effect of the adverse changes and to modify this Agreement in light of such circumstances. In no event shall LLC be liable, under any theory, for damages, direct, indirect, or consequential, whether or not LLC has prior knowledge, arising from or relating to an adverse change in terms or conditions between LLC and an Original Manufacturer. LLC shall use its most reasonable commercial efforts to enforce its warranty and other rights against the Original Manufacturers. In the event that LLC is unable or unwilling to enforce such rights, LLC shall assign such rights to Vet USA for enforcement and LLC agrees to cooperate with Vet USA in such enforcement.

8.6. Vet USA Access to Locked Product Equipment. If any Product is delivered or is modified by LLC with a feature or configuration that is designed to or results in a "lock out" of a third party that prevents a third party software from operating the Equipment, while still allowing LLC Software to operate the Equipment, then LLC shall make available to Vet USA the "unlocking" feature and protocol, during the Agreement and for a period of five (5) years following termination of the Agreement (except for termination by LLC for Cause), so that Vet USA can operate the Equipment with third party software.

Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 24b-2 of the General Rules and Regulations under the Securities Exchange Act. Omitted information, marked "[***]" in this exhibit, has been filed with the Securities and Exchange Commission together with such request for confidential treatment.

9. Orders and Shipment.

9.1. Order Placement. In placing purchase orders with LLC, Vet USA shall detail the quantity of each digital x-ray detector Equipment, Software Product, acquisition console Equipment and X-ray generator Equipment. Vet USA shall place all orders with a requested receipt date of sixty (60) days or later from the date of the transmission of its written purchase order to LLC ("Lead Time").

9.2. Order Acceptance. The orders shall not be binding unless and until they are accepted by LLC in its sole discretion, which acceptance shall not be unreasonably withheld, and provided that acceptance shall be deemed to have occurred fifteen (15) days after receipt by LLC of each order. Once the order is accepted by LLC pursuant to this Section 9.2, it is binding and not cancellable by Vet USA.

9.3. Minimum Annual Volume. A "Unit" is defined as the combined purchase of at least one (1) digital x-ray detector equipment (of any type or brand) together with one (1) copy of Software purchased by Vet USA from LLC for use or sale together as a unit. Vet USA shall purchase an annual minimum quantity of Units in each calendar year that is equal to or greater than [***] ("Minimum Annual Volume"). Minimum Annual Volume shall rise three (3%) percent (rounded up to the nearest Unit) per calendar year for each year of the Agreement. For the purposes of this Section 9.3, Products shall be considered purchased when received and accepted by Vet USA and paid in full; provided, that if LLC is unable to timely supply Units that were ordered by Vet USA within the Lead Time to provide for delivery within the calendar year, such ordered Units shall be considered to have been purchased by Vet USA during such calendar year for purposes of calculating Vet USA's purchasing of the Minimum Annual Volume in that year. For the avoidance of doubt, in 2013, the Minimum Annual Volume is [***]. In 2014, the Minimum Annual Volume is [***] Units, and so on. Vet USA must purchase the Minimum Annual Volume in 2013 and 2014 or pay the Take or Pay Payment. Thereafter, Vet USA's failure to purchase the Minimum Annual Volume shall have the effects set forth in Section 2.3 above.

10. Exclusivity. Subject to Sections 2.3 and 2.4 above, Vet USA is hereby granted exclusive rights during the term of this Agreement to purchase the Products for distribution in the Market, in the Territory, to Customers as set forth in Section 1.1.

10.1. LLC Efforts to Protect. Upon receipt of a violation of Territory notice from Vet USA, LLC shall use its most reasonable commercial efforts to protect the Territory, including (i) legally voiding warranty and software license renewal, (ii) refusing software activation or reactivation on Products illicitly sold and (iii) requesting from the party responsible for illicit sale of the Products in the territory the disgorgement and payment to Vet USA of profits from the sale of the Products in the Territory.

10.2. Exclusive Territory Protections by LLC. LLC shall not knowingly allow any party to sell, directly or indirectly, or export any Product into the exclusive Territory.

10.3. No Services to Competitors. During the term of this Agreement, LLC shall not perform Services in the Territory for any company that is in direct competition with the business from Customers for the Products of Vet USA, without prior written consent of Vet USA.

10.4. No Export or Gray Market by Vet USA. Vet USA undertakes not to sell, lease or lend, or knowingly participate in any way, directly or indirectly, through one or more relationships or contracts in the sale, lease, lending or other distribution of, the Products or any products or services that contain, in whole or in part, the Products, for use, demonstration, resale, or export outside of the Territory.

10.5. Exclusive Provider. Subject to Section 2.1 above, without the prior written consent of LLC, during the Initial Term or any renewal term of this Agreement, Vet USA shall not sell, lease, lend, purchase, develop or evaluate for sale, directly or indirectly, through one or more relationships or contracts, any products that, in the reasonable judgment of LLC, are, would, or contain technologies competitive with the Products or Services. This limitation shall include, but not be limited to digital radiography detection components devices or panels, digital radiography acquisition software, PACS, or Data Hosting from any other third party, company, or entity ("Competitive Products"). For purposes of this Agreement, panels shall include, but not be limited to digital radiography flat panel detectors, computed radiography, and CCD based technologies. Vet USA may take as a trade-in on and credit towards the sale of new Products used products owned by Customer(s), and Vet USA may sell up to a total of seventy-five (75) used and refurbished products per year, and such units shall not be deemed Competitive Products. Notwithstanding the foregoing, in the event that, during the Initial Term or any renewal term of this Agreement, LLC is unable to timely supply for a period of more than sixty (60) days Vet USA's orders of Competitive Products or other Products or Services limited by this Section 10.5, Vet USA may, for so long as such inability continues and a reasonable sell-off period thereafter, purchase and distribute any such Products, Services or Competitive Products from third parties without limitation.

10.6. Marketing and Tradeshow Freedom. Notwithstanding anything herein to the contrary, no limitation or prohibition shall be placed on Vet USA or LLC for marketing, clinical evaluation, luminary evaluation, tradeshow marketing, and other similar marketing efforts that reasonably may benefit the sale of the Products; (i) in the case of Vet USA, inside the Territory and (ii) in the case of LLC outside of the Territory.

10.7. EUSLA and MWSTC Requirement. Vet USA shall provide all Customers who purchase or use Products or products containing Software, the MWSTC, and the End User Sublicense Agreement (the "EUSLA") included in MWSTC. Vet USA shall require that each Customer execute a MWSTC and EUSLA as a precondition to purchasing any Products containing Software, or which use Data Hosting or result in sending Data to LLC.

(a) Each executed MWSTC and EUSLA shall be provided to LLC upon written request. Failure to provide the executed MWSTC and EUSLA to LLC for any particular sale of Products is a material breach of this Agreement.

(b) LLC may modify or alter MWSTC or EUSLA for subsequent use, provided that LLC shall provide a written copy, in Microsoft® format, of each modification. Within ten (10) days of receipt of modified MWSTC or EUSLA, Vet USA will (i) accept the modifications (acceptance not unreasonably withheld) or (ii) object in writing with written proposed edits and the parties will, time of the essence, endeavor to quickly reach agreement and acceptance. Upon acceptance, Vet USA shall cease using former versions, and all transactions with Customers thereafter between Vet USA and Customers shall be by and under the latest version(s).

(c) Vet USA agrees to not modify MWSTC or EUSLA or the requirement in Products that EUSLA be accepted prior to the use of Software.

11. Price, Acceptance, Defective Product, and Payment.

11.1. Prices. The prices for the Products to be purchased by Vet USA during each calendar year shall be as set forth in writing from time to time, subject to Section 2.4 and 6. Amounts due hereunder shall payable Net 15 Days in 2013 and Net 30 Days thereafter.

11.2. All prices for the Products are "net amounts" in US Dollars, and are exclusive of all (i) freight and shipping, (ii) state and local taxes, (iii) levies, duties, customs, VAT, and assessments, (iv) out-of-warranty costs and expenses not covered or reimbursed under Section 13 "Product Warranty" of this Agreement ("Costs").

(a) Vet USA shall be responsible for the payment of all Costs imposed on the Products, Support, and Services supplied to Vet USA hereunder, excluding taxes based upon on LLC's net income from the transactions.

(b) Any Costs to be borne by Vet USA but which are paid by LLC and not invoiced at the time of delivery of Products or Services shall be invoiced to Vet USA by LLC, and Vet USA agrees to pay LLC, without delay for any reason, including claim of error or dispute of amounts due.

(c) Any disputes for Costs shall be pursued between Vet USA and the authority imposing the Costs, or in the case of allocation Costs from LLC, between Vet USA and LLC, using all reasonable efforts, without undue delay, to amicably resolve any dispute. LLC shall reasonably cooperate with Vet USA to resolve any disputes by providing documentation and other supporting evidence in existence to support the Costs charged.

11.3. Acceptance and Defective Products. All claims for error, damages, defects, shortages and non-conformities in any shipment discovered by reasonable inspection shall be made in writing to LLC (together with detailed descriptions and evidence thereof) within ten (10) days after receipt of the Products at Vet USA's receiving dock ("Defective Product"). Failure to make such claim within such period shall constitute acceptance of the shipment ("Acceptance").

(a) The extent of LLC's liability for Defective Product under this warranty shall be limited to replacement of any Defective Products, freight prepaid to Vet USA's receiving dock. Recovery of Defective Product(s), shall be at LLC's sole expense, provided however that Vet USA agrees to use its most commercially reasonable efforts, at LLC's cost, to repackage and make Defective Product(s) prepared and available for shipment in its original packaging. In no event shall LLC be liable for consequential or indirect damages regarding the Products.

(b) There shall be no claims based on defects in cases of damage arising after the transfer of risk at LLC's delivery dock, from Vet USA's faulty or negligent handling, or Vet USA's excessive strain on the Products. Claims based on defects resulting from improper modifications or repair work carried out by Vet USA or third parties and the consequences thereof shall be excluded.

11.4. Payment Instructions. The full payment is due net 15 days in 2013 and net 30 days thereafter and must be settled by wire transfer of immediately available funds, issued by a first class, international bank, satisfactory to LLC at the following bank (or as may be modified from time to time in writing by LLC):

Receiving Bank: [***]
[***]
Phone # [***]
Beneficiary: Cuattro LLC
Beneficiary's Address:1618 Valle Vista Blvd / Pekin, IL 61554
Beneficiary's Account Number: [***]
Beneficiary's Routing/ABA Number: [***]

12. Representations and Warranties.

12.1. Mutual Representations and Warranties. Each Party hereby represents and warrants as of the Effective Date and at all times throughout the term of this Agreement: (a) it has the full corporate right, power and authority to enter into this Agreement and to perform its obligations hereunder; (b) the execution of this Agreement by such Party and performance of its obligations thereunder comply with all applicable laws, rules, and regulations (including privacy, export control and obscenity laws); (c) when executed and delivered, this Agreement will constitute a legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms; and (d) the execution, delivery and performance of this Agreement by such Party will not violate any agreement or instrument to which such Party is a party or is otherwise bound.

12.2. LLC Warranties. LLC represents and warrants that: (i) LLC has the requisite right and authority to provide the Products to Vet USA under this Agreement and there are no restrictions which could or would prevent Vet USA from exercising any rights granted hereunder; (ii) LLC shall perform all Services and Support requested by Vet USA under this Agreement on a professional reasonable efforts basis in accordance with the standards prevailing in the industry and in a diligent, workmanlike and expeditious manner; (iii) the Services and Support will be performed in accordance with, and/or the Products will conform to, all regulatory requirements and standards, if any. In the event of a breach of any of the foregoing warranties, Vet USA shall notify LLC of such breach after the Support or Services are rendered and/or the Products are delivered to Vet USA (as the case may be) and LLC shall re-perform the Support or Services or re-deliver the Products, as the case may be, so that they conform to the applicable warranty. In addition to the foregoing, LLC represents and warrants that it holds all permits, licenses and similar authority necessary for the performance of the Support and Services hereunder and shall deliver copies of such permits, licenses or authority to Vet USA upon request.

13. Product Warranty.

13.1. Limited Product Warranty. LLC warrants the Products (excluding Software, which is supported and not warrantied) will meet the Original Manufacturer's published specifications and shall be free from defect in material and workmanship for thirteen (13) months from the date of Vet USA's Acceptance of the Products (the "Warranty"). Except as expressly warranted under this Agreement, LLC hereby disclaims all warranties, express, statutory and implied, applicable to the Products, including, without limitation, any warranty of merchantability or fitness for a particular purpose. This warranty does not extend to any Products that have been, other than by LLC, (i) subject to misuse, neglect, accident or abuse or other use or condition prohibited by or that would void Warranty or Support under the MWSTC, (ii) improperly repaired, altered or modified in any way, (iii) used in violation of instructions furnished by LLC or (iv) in contravention of generally accepted usage standards in the veterinary digital radiography industry for similar Products. Vet USA shall solely bear all costs to retrieve all Product(s) requiring warranty service and LLC shall solely bear all costs to return to Vet USA all Product(s) received for warranty service. Vet USA shall reimburse LLC for shipping and handling charges incurred by LLC for inspection and testing of Products found to not be defective by LLC.

13.2. Repair-Replace Warranty. LLC warrants its repair work and replacement parts for the greater of (i) a period of 45 days from receipt by Vet USA of the repaired or replaced Product or for the balance of the warranty period as set forth in Section 13 "Product Warranty." Any claim arising under this Section shall be settled by amicable cooperation between LLC and Vet USA, to minimize or avoid unnecessary expense and time. LLC may repair, replace, with new or refurbished parts, materials or Products in fulfillment of this Warranty.

13.3. Manufacturer Warranty. LLC will use its most commercially reasonable efforts to obtain and assign to Vet USA Original Manufacturer's warranty, service, maintenance and parts in support of the Products under the Warranty.

(a) LLC will provide international logistics, import-export-tariff logistics, Return Material Authorization coordination, and other functions in support of obtaining Warranty from an international Original Manufacturer of the Product or major components thereof.

(b) LLC will use its most commercially reasonable efforts to cause to be corrected any failure of Equipment to perform substantially in accordance with the term of the Original Manufacturer's warranty.

13.4. Extended Maintenance Offer. LLC shall offer extended Equipment warranty for an additional twelve (12) months following the expiration of the Warranty. Up to thirty (30) days prior to the expiration of the Warranty period then in effect, Vet USA shall have the option, but not the obligation, to purchase such extended warranty for each Product. Pricing for such extended warranty shall be at a cost to Vet USA of fifteen (15%) percent of the Quantity multiplied by the price actually paid for the Product when such Product was originally purchased by Vet USA. If not purchased on time, the offer to extend Equipment warranty service is void, unless expressly accepted by LLC in writing, on a case-by-case basis. Extended warranty is by and between LLC and Vet USA, for the benefit of Vet USA, not Vet USA's Customer.

14. Technical and Sales Assistance.

14.1. Vet USA Support of Customers. Technical assistance is by and between LLC and Vet USA and is for the benefit of Vet USA, not Vet USA's Customers. Vet USA agrees to provide, timely and knowledgeable maintenance and support service to Customers and to utilize LLC as a resource, but not the primary or sole contact point for Customer Support, unless otherwise agreed in writing between the Parties.

14.2. Support Times. LLC will provide or cause to be provided direct technical support (the "Technical Support") to Vet USA from 9:00 a.m. through 6:00 p.m. Central Standard Time (CST).

14.3. Service Level for Technical Support. LLC will work with Vet USA to determine the severity level for each individual situation, based upon the definition of "Level 1", "Level 2" and "Level 3" in MWSTC. LLC will use commercially reasonable efforts to provide Technical Support in order to resolve identified problems according to the following severity levels.

(a) Equipment Severity Level 1: within fourteen (14) working days

(b) Equipment Severity Level 2: within twenty-one (21) working days

(c) Equipment Severity Level 3: within thirty (30) working days

(d) Software Severity Level 1: within seven (7) working day

(e) Software Severity Level 2: within fourteen (14) working day

(f) Software Severity Level 3: within twenty one (21) working days

14.4. Upon Vet USA's written request, LLC shall use commercially reasonable efforts to support Vet USA's sales, marketing, and training demonstrations (the "Sales Support"). Such Sales Support shall be at times and places which are mutually agreeable to both Parties. Costs for round trips, meals, lodging, and other expenses of the dispatched personnel of LLC for training shall be borne by Vet USA.

14.5. For purposes of this Agreement, Technical Support and Sales Support shall be referred to collectively as the "Support".

15. Vet USA's Additional Responsibility.

15.1. Vet USA shall maintain adequate stocks of the Products to meet its Customer's demands, including those for advanced replacement loaners in furtherance of Warranty, on a timely basis.

15.2. Vet USA shall use reasonable commercial efforts to undertake for its own account advertisement and sales promotions of the Products.

15.3. Vet USA shall use reasonable commercial efforts to provide all warranty, installation, technical support, shipping and communications to and between Customers and Vet USA.

15.4. Vet USA shall make timely payment of all amounts due hereunder.

15.5. Vet USA shall provide for, by separate agreement(s) and arrangement(s), any or all commercial and logistics work for products not specifically provided for in this Agreement, such as ultrasound.

16. Proprietary Rights.

16.1. Intellectual Property. "Intellectual Property" shall mean all drawings, designs, models, specifications, documentation, software, firmware, user interfaces, inventions, designs, techniques, processes, business methods, customer information, marketing programs, Distributor information, know-how, mask-works, copyrights, copyrightable materials, patents, trade secrets, software code, software schema and any other information or materials protected under any intellectual property laws in effect anywhere in the world, and any applications, registrations or filings relating thereto. Each Party retains all rights to its pre-existing Intellectual Property. Except as provided for expressly in this Agreement, no license, right or ownership is granted, by implication or otherwise, to a Party's Intellectual Property. As of the date of this Agreement, neither Party claims any rights to, nor ownership in, the other Party's Intellectual Property, and neither Party claims the existence of any jointly owned Intellectual Property between the Parties.

16.2. No Modification. Except as may be required to integrate the LLC's Intellectual Property into Vet USA's products, Vet USA shall not: (i) modify LLC's Intellectual Property or (ii) authorize Vet USA's end users or third parties to do the same. Neither Party shall evaluate or attempt to authorize, assist, perform, or support the reverse engineering of the other Party's Intellectual Property, and shall promptly notify the other Party immediately upon obtaining knowledge of such activities.

16.3. No Right. Except as expressly set forth herein, neither Party is granted any right to the other Party's software or Intellectual Property, even if the software or Intellectual Property is incorporated into any Products or Software. Nothing herein, or in any way related to this Agreement or interaction or non-action or delay between the Parties or their assigns, shall grant, transfer, or cause to be shared, with the other Party, any rights in and to either Party's software, in any form, firmware, designs, component sources and specifications, documentation, or Intellectual Property. This Section 16.3 shall apply, whether or not either Party or any third party products are incorporated in, embedded in, merged with, or otherwise associated with a Party's products.

16.4. Survival of Proprietary Rights. Sections 16.1, 16.2, and 16.3 shall not expire, and shall survive the termination of this Agreement.

16.5. Software License. Certain rights to license the Software in the Products are granted to Vet USA by the License Agreement (the "Software"). The Software is licensed, not sold. Vet USA agrees that any Software, regardless of format, provided by LLC to Vet USA, will only be used with the Products, in the Territory, and will not be used in conjunction with any products from any third party that manufactures, develops, buys, leases, or sells or resells, including Competitive Products, except as may be provided for in Section 2.3 of the License Agreement. Vet USA shall not provide, disclose or distribute Software or any portion thereof to any third party outside of the Territory without the prior written approval from LLC. Software is protected by copyright, trademark, and trade secrets laws, international treaty provisions and various other intellectual property laws. Vet USA may not copy,

modify, reverse engineer, decompile, or disassemble any Software. The Software's component parts may not be separated for any use. Vet USA may not remove, modify or alter any copyright or trademark notice from any part of Software, including but not limited to any such notices contained in the physical and/or electronic media or documentation, in the set-up dialogue, EUSLA, 'about' boxes, or internet or applet notices. Vet USA's license is not assignable by Vet USA except upon prior written consent of LLC. Vet USA may not directly or indirectly use the Software or Product to benchmark against a Competitive Product.

16.6. Right to Sublicense. In the Territory, subject to ordering, payment, and the terms and conditions set forth in the MWSTC, EUSLA, the License Agreement, and this Agreement, Vet USA may sublicense to Customers the nonexclusive and personal right to use, in object code format only, the Software for the life of the Product associated with such Software, in the Territory. Software will, from time to time, require re-activation and/or re-registration by the end user, to ensure that, at regular intervals (generally Calendar Year), the Software is documented and authorized to be in use by an authorized Customer, in good standing, in the Territory. In the event a Customer is not authorized or is in violation of the MWSTC or EUSLA or has been shown to export outside of the Territory any Product that includes Software, LLC reserves the sole and exclusive right, without any penalty payment, cost, or refund to Vet USA or Vet USA's Customer, to decline to renew, re-activate, or re-register the Software for use by the Customer or any other party.

16.7. Trademark Ownership; Rights. Vet USA is hereby granted the right to use LLC's trademarks and trade names, in the Territory. Vet USA agrees, without condition, that by executing this Agreement, LLC is the sole owner and beneficiary of the trademarks, copyrights, and trade names "CloudDR™", "Cloudbank™", "ViewCloud™", "SupportCloud™", "Uno™", "Slate™", and "Copilot™", for use in the Territory. Except as specifically granted in this Agreement, neither Party shall acquire any right, title or interest in any of the other Party's trademarks, copyrights, trade names, nor other intellectual property and proprietary information. Vet USA agrees that it will not remove, alter, obfuscate or otherwise modify, in any way, any copyrighted logos, brands, or any copyright or trademark notices or other proprietary rights notice placed in or on the Products or Software. No rights are granted to Vet USA under this Agreement to make or cause to be made any of the Products or Software, or otherwise use the Products or Software, for any use other than in connection with the resale, installation and support of such Products and Software. No express or implied licenses with respect to Software are granted to Vet USA, except as otherwise expressly set forth herein or in the License Agreement between the Parties.

17. Confidential Information.

17.1. Confidentiality. "Confidential Information" means any proprietary or confidential information of a Party which may be disclosed to the other Party under this Agreement, including without limitation all prices, discounts or product specifications, designs, software, software code, drawings, reports, interpretations, forecasts, plans, records, technical or other financial or business information of any kind of a disclosing Party regarding the subject matter of this Agreement, together with any notes or other documents prepared by a receiving Party or others which reflect such information. No Confidential Information disclosed by either Party to the other in connection with this Agreement shall be disclosed to any person or entity other than the receiving Party's employees and contractors directly involved with the receiving Party's use of such information. Such information shall be used only for the purposes contemplated by this Agreement, and such information shall otherwise be protected by the receiving Party from disclosure to others with the same degree of care accorded to its own proprietary information, but not less than a reasonable degree of

care in accordance with the normal practice of the medical device manufacturing industry. To be subject to this provision, information must be delivered in writing and designated as “proprietary” or “confidential” or, if initially disclosed orally or visually, must be confirmed in writing as “proprietary” or “confidential” within thirty (30) days after the disclosure. Notwithstanding the preceding sentence, each party’s Confidential Information shall include all customer lists and other materials and technology owned or otherwise controlled by it whether or not so designated; provided, however, any customer lists of LLC resulting from customers of Vet USA during the term of this Agreement or during the Post Termination Supply Period (as a result of End Users being parties to the EUSLA of the MWSTC pursuant to the purchase, the provision of support services by LLC to such End Users, or otherwise) is deemed Confidential Information of Vet USA and not of LLC. Information will not be subject to this provision if it (i) is or becomes a matter of public knowledge without the fault of the receiving Party, (ii) was known to the receiving Party before the disclosure to it by the other Party, as evidenced by written records of the receiving Party, or (iii) was received by the receiving Party from a third person under circumstances permitting its unrestricted disclosure by the receiving Party. If the receiving Party is required by law, or requested by a court or administrative body, to disclose any Confidential Information of the disclosing Party, the receiving Party shall give the disclosing Party prior written notice of such requirement or request prior to disclosing such Confidential Information so that the disclosing Party may seek a protective order or other appropriate relief. Unless explicitly provided herein, nothing in this Agreement is intended to grant any rights to either Party under any patent, copyright, trade secret or other intellectual property right nor shall this agreement grant either Party any rights in or to the other Party’s Confidential Information.

17.2. Confidentiality Release. The Parties shall be released from any confidentiality obligations under this Section 17 after a period of five (5) years after the termination or expiration of this Agreement.

18. General Provisions.

18.1. Force Majeure. Neither Party shall be liable for, or be deemed to be in default for, delay of or failure in delivery or performance of any other act under this Agreement due, directly, to any of the following causes; acts of God or the public enemies, civil war, insurrection or riot, fires, floods, explosions, earth quakes or serious accident, epidemics or quarantine restrictions, any act of government or any other civil or military authority, freight carrier failure or delay, strikes causing cessation, slowdown or interruption of work. Promptly upon the occurrence of any event hereunder which may result in all delay in the delivery of the Products, LLC shall give notice thereof to Vet USA, which notice shall identify such occurrence and specify the period of delay which may reasonably be expected to result therefrom.

18.2. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable because it is invalid or in conflict with any law of any relevant jurisdiction, the validity of the remaining provisions shall not be affected.

18.3. Compliance with Laws. Each Party to this Agreement shall comply with all applicable laws and regulations relating to the Products and their respective performance under this Agreement.

18.4. Choice of Law; Jurisdiction. This Agreement shall be governed by, and enforced in accordance with, the laws of the State of Colorado (excluding the choice of law principles thereof). The Parties to this Agreement hereby agree to submit to the non-exclusive jurisdiction of the federal and state courts located in the State of Colorado in any action or proceeding arising out of or relating to this Agreement. This Agreement shall inure to the benefit of, and be binding upon the parties and their respective successors and assigns.

18.5. No Partnership or Agency. Nothing in this Agreement shall be construed as creating a partnership, agency, employment relationship, franchise relationship or taxable entity between the Parties, and no Party shall have the right, power or authority to create any obligation or duty, express or implied, on behalf of the other Party, it being understood that the Parties are independent contractors vis-à-vis one another.

18.6. No Waiver; No Amendment. No amendment or waiver of any provision of this Agreement, or consent to any departure by either Party from any such provision, shall be effective unless the same shall be in writing and signed by the Parties to this Agreement, and, in any case, such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The waiver or delay in enforcement or notice by any Party of any breach of this Agreement shall not operate as or be construed to be a waiver by such Party of that breach or any subsequent breach.

18.7. Assignment. This Agreement and the rights of the Parties hereunder may not be assigned without the prior written consent of the Parties hereto. Notwithstanding anything to the contrary, however, it is contemplated that LLC may assign or transfer its duties or interests hereunder to a LLC affiliate, and Vet USA shall not unreasonably object to or prohibit such assignment. Assignment shall not be unreasonably withheld by either Party.

18.8. Notices. Any and all notices hereunder shall, in the absence of receipted hand delivery, be deemed duly given when mailed, if the same shall be sent by registered or certified mail, return receipt requested, and the mailing date shall be deemed the date from which all time periods pertaining to a date of notice shall run. Notices shall be addressed to the Parties at the following addresses:

If to LLC: Kevin S. Wilson
Cuattro, LLC
Physical Address:
63 Avondale Lane
Villa Montane #C2
Beaver Creek, CO 81620

Postal Address:
PO Box 4605
Edwards, CO 81632
Phone: [***]

Copy to: R.C. Shepard, Esq.
Stradling Yocca Carlson and Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660-6422
Fax: (949) 725-4000
Phone: (949) 725-4105

If to Vet USA: Jason Napolitano
Heska Imaging US, LLC
3760 Rocky Mountain Avenue
Loveland, CO 80538
Fax: (970) 619-3003
Phone: (970) 619-3021

18.9. Execution Counterparts. This Agreement may be executed in two or more counterparts, and by different Parties on separate counterparts. Each set of counterparts showing execution by all Parties shall be deemed an original, and shall constitute one and the same instrument.

18.10. Entire Agreement. This Agreement and the License Agreement shall constitute the entire agreement between the Parties with respect to the subject matter hereof, and shall supersede all previous oral and written (and all contemporaneous oral) negotiations, commitments, agreements and understandings relating hereto, including, without limitation, the Management Agreement.

18.11. Management Agreement. As of the Effective Date, all provisions the Management Agreement are hereby superseded in their entirety and shall have no further force or effect.

18.12. Audit Right. LLC shall maintain adequate Records (as defined below), with supporting documentation, to justify all charges, expenses, and costs invoiced to Vet USA pursuant to this Agreement for a period of not less than eighteen (18) months after payment of such invoice. Not more frequently than once per calendar quarter during the Initial Term of this Agreement and during any renewal term, during reasonable business hours and upon reasonable notice, Vet USA or its designated agent shall have the right to examine, duplicate, and audit LLC's operations and Records as they relate to the charges, expenses and costs invoiced to Vet USA pursuant to this Agreement, and, as mutually agreed with LLC, interview third parties, at an adequate location for such effort. The term "Records" shall include all documents created or kept within the scope of this Agreement, in any form of media, with respect to any and all matters relating to this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their duly authorized officers or agents as set forth below.

CUATTRO, LLC

By: /s/ Kevin Wilson
Its: Member/Officer
Date: 2.24.13

HESKA IMAGING US, LLC

By: /s/ Jason Napolitano
Its: Chief Financial Officer
Date: February 24, 2013

Exhibit A — Products

Products:

Digital Radiographic Detectors	• Flat Panel Detectors • other digital radiographic detector technologies, as available to LLC for commercial use by Customers in the Territory (for example CCD and CR)
Acquisition Workstation Equipment	• Uno™ • CloudDR™ • Slate™ • other models and brands, as available to LLC for commercial use by Customers in the Territory.
PACS and Data Hosting	Subject to MWSTC, EUSLA: • Data Hosting • Data Migration • DICOM Node addition • Cloudbank™ • ViewCloud™ • SupportCloud™ connections.
Accessories	Positioning aides, such as tunnels and tables, viewing computers, local PACS computers and monitors, local servers, and other accessories that LLC stocks in the regular course of business to fulfill the needs in the Market.
Third Party Software	Fully paid up licenses to all third party software necessary for the Products above to function in accordance with their specifications, except for third party software necessary for end user systems (other than the Acquisition Workstation Equipment) to access the PACS and Data Hosting services above.

LLC represents to Vet USA that LLC has obtained any required licenses, contracts, or rights to sell, license, and deliver the Products above.

Exhibit B "Market, Territory, Customers"

1. "Market" shall be defined as, the field of Veterinary Medicine, which is the practice of medicine on or for non-human species, by currently licensed veterinary medical doctors in good standing with state, federal, and professional authorities, and by entities in which a licensed veterinary medical doctor oversees the activities performed on or for non-human species.
2. "Territory" shall be defined as the Market within the United States of America.
3. "Customer" shall be defined as, licensed veterinarians (or entity employing or engaging such licensed veterinarians in a meaningful capacity to oversee the activities related to the Products) within the Market, within the Territory, provided that "within the Territory" means the location where the Products will reside, as opposed to the location where the order is generated.

Exhibit C Master Warranty and Support Terms and Conditions ("MWSTC")

Contains End User Software License ("EUSLA")

MASTER WARRANTY AND SUPPORT TERMS AND CONDITIONS ("MWSTC")

This Agreement is the complete and exclusive statement of the terms of the contracts between the parties. No prior proposals, statements, course of dealing, or usage of the trade will be a part of any Agreement. If any terms of this Agreement conflict with any literature, Glossary, Schedule, Quotation, Purchase Order, Shipping Document, email, letter, document or other communication, then unless otherwise explicitly provided, this Agreement takes precedence. The Agreement may be entered into and modified only by a writing signed by authorized representatives of each party. Each party has caused this Agreement to be executed by a duly authorized representative on the date beside that party's signature on this Agreement or on a Purchase Order referencing this Agreement. A signed copy of any Agreement delivered by facsimile machine or scanned email is binding and enforceable on both parties.

BY SIGNING, YOU ACKNOWLEDGE YOU HAVE READ AND AGREE TO THE TERMS AND CONDITIONS OF THIS AGREEMENT AND SCHEDULES

(Signature)	(Title)	(Date)

I. BENEFITS SUMMARY

Contact:	1-309-740-3422 (24 hours per day / 7 days per week / 365 days per year) or support@cuattro.com
Co-Pilot™:	Monday through Friday 8:00am to 6:00pm CST, excluding holidays, for in-depth, expert advise and Co-Pilot (with your on-screen acceptance) of your DR for training, support, optimization, technical advice, image critique, and tips by a trained Co-Pilot technician.
SupportCloud™:	24/7 Call-center voice and remote diagnostics, recovery, Service available Monday through Friday 8:00am to 6:00pm CST, excluding holidays, and for emergency, after-hours events (call-back response generally under 20 minutes).
99% Uptime:	Included
ViewCloud™ PACS:	User Customized viewing on any device at www.cuattro.com "Login" for Pro and Web (Must be Selected on Order Summary)
CloudBank™:	True Cloud-based DICOM storage and PACS by medical grade level centers. (See MWSTC) (Must be Selected on Order Summary)
Updates/Fixes:	Free
CloudDR Software:	Free Software Feature Upgrades. Hardware Upgrades may incur cost (see MWSTC).
Advanced Loaner:	Included

II. DEFINITIONS

"Agreement" means the applicable, in force and effect, most recent MWSTC, including Schedules, including Equipment Warranty Agreement (including any Initial Warranty Term and Renewal Warranty Option), Software Support Agreement (including any Initial Support Term and Renewal Support Option), and EUSLA (as defined), governing matters of Equipment, Software, and Service(s), by and between Customer, third parties or Distributors (if any), and Cuattro.

"EUSLA" means the most recent End User Software License Agreement attached hereto as Schedule A, for Software.

"Service(s)" means all services provided under the Agreement by Cuattro, limited, strictly and only to those that are specifically identified in the Agreement, to fulfill Cuattro's obligations of warranty, support, remedy, and service hereunder.

"Equipment" means only the hardware identified in the Equipment Warranty Agreement in the Equipment Products Schedule that is also; (i) purchased from Cuattro or Cuattro's currently authorized Distributor in new condition, as evidenced by a corresponding purchase order and other executed documents detailing Equipment, (ii) paid for in full, including associated fees and taxes, under the terms of this Agreement, and (iii) purchased by an entity in good standing with Cuattro, where that entity has adhered to uninterrupted compliance with EUSLA for Software delivered with Equipment and with the terms of this Agreement. Equipment excludes Software. Equipment may also be part of a "Product".

"Software" means only the software license(s) identified in the Agreement, delivered with and for use in conjunction with Equipment, for which Customer has paid current amounts due, in full, under the terms and conditions accepted in writing by Cuattro, that are Cuattro branded; (i) acquisition software, (ii) image tuning software, (iii) DICOM software, (iv) PACS software, (v) web-based PACS, (ViewCloud, CloudBank, myCloud) software, and (vi) Cuattro additions, modifications, substitutions, and replacements of them. Software is not warranted. Software may be supported under a Software Support Agreement. Software is not sold, it is licensed, subject to and based upon Customer's uninterrupted adherence to the EUSLA, the Agreement, and Software License most recently in effect on (i) in the case of a one-time, non-upgraded, non-updated, local CPU installed, thick client Software license, the date of the Software delivery to Customer, or (ii) in the case of an upgraded, updated, remote hosted, ASP, or thin client Software license or web service, on the date of Customer's most recent use of the Software. Software excludes Equipment and Windows™ operating system. Software may also be part of a "Product".

"Software Support Agreement" means any in force, valid, paid-up, current Initial Support Term or Renewal Support Option agreement for Software Support or Service(s) validly due under the Agreement.

"Equipment Warranty Agreement" means any in force, valid, paid-up, current Initial Warranty Term or Renewal Warranty Option agreement for Equipment Warranty or Service(s) validly due under the Agreement.

“Site” means the specific geographic location, or in the case of mobile use the specific geographic region, in which the Customer and the Equipment is located for patient care.

“Call Center” means the telephone or remote software support center available by phone, with typical initial response target of 20 minutes during normal business hours and non-holidays.

“Customer” means either; (i) a Cuattro authorized Distributor in current, good standing, who purchases or licenses Software or Equipment from Cuattro, for the express purpose of authorized resale or another use specifically allowed under this Agreement and under a valid, current agreement between the Distributor and Cuattro, or (ii) an end user customer who purchases Equipment or Software from Cuattro or from a Distributor (as defined here) currently authorized to license or to resell such Equipment or Software to that specific end user under this Agreement.

“You/Your” means Customer, Distributor, or end user customer who is or makes a claim for Service(s) under the Agreement.

“Cuattro/We/Us” means Heska Imaging US, LLC or its assigns or majority owned affiliate entities.

“Level 1” means any issue with the Software or Equipment that renders Software or Equipment unfit or non-working, for its intended use in the most basic functions of capturing, rendering, displaying, and locally storing digital radiographic images on clinical patients.

“Level 2” means any issue with the Software or Equipment that results in Software or Equipment performance that is substantially outside of Cuattro’s written specifications, but does not fall within the severity of Level 1.

“Level 3” means any issue with the Software or Equipment that that is not Level 1 or Level 2, but has performance or “bugs” that are not defined in Cuattro’s written specifications, including, but not limited to interoperability issues with third party supplied items.

“Fix” means Software generally available release that includes repair(s), removal(s), or modification(s) to Software with regard to Level 1 issues.

“Update” means Software generally available release that includes repair(s), removal(s), or modification(s) to Software with regard to Level 2/3 issues.

“Upgrade” means Software generally available release that includes new or incremental feature(s), function(s), improvement(s) repair(s), removal(s), or modification(s), major and/or minor, to Software, and may also include Update or Fix for Level 1, Level 2, and Level 3 issues.

‘Data” means Customer originated DICOM metadata, images, study information, patient information, and data and databases directly related to them.

“Data Hosting” means when Customer sends Data to Cuattro designated data center(s) and Cuattro receives and accepts such Data for storage and access by Customer, as provided for and limited by the terms and conditions of this MWSTC and other agreement that may provide for Data Hosting.

III. MASTER TERM FOR EQUIPMENT WARRANTY AND SOFTWARE SUPPORT AGREEMENTS

Unless agreed to in writing by Cuattro, or otherwise noted herein, the initial Equipment Warranty Agreement term for Equipment sold by Cuattro to Customer shall be one (1) year (the **“Initial Warranty Term”**), and shall begin on the earlier of; (i) thirty (30) days following delivery of the Equipment to Customer, or (ii) upon first clinical use of the Equipment. If first use is delayed for thirty (30) days or more after the date of delivery for a reason beyond Cuattro’s direct control, the Initial Warranty Term will begin on the thirtieth (30th) day after the date of delivery. The fee for the Initial Warranty Term is included in the purchase price of the new Equipment. The warranty period for any Equipment or part furnished to you to correct a warranty failure will be the unexpired term of the warranty applicable to the repaired or replaced Equipment or part. In no event shall the Initial Warranty Term, Renewal Warranty Option, or the Equipment Warranty Agreement for any Product exceed one (1) year. Notwithstanding the foregoing, Cuattro may offer and Customer may purchase successive, consecutive Renewal Warranty Options, where each Renewal Warranty Option shall give rise to a new, distinct, standalone Equipment Warranty Agreement by and between the Customer and Cuattro, separate from all prior purchases or agreements for Equipment, Software, Support, Warranty or Services. Only Equipment is eligible for Warranty. Cuattro may reject the purchase of any Renewal Warranty Option for any reason.

The Initial Warranty Term for used equipment, Customer supplied equipment, or third party equipment (“Third Party Equipment”) for which Cuattro agrees to provide a Equipment Warranty Agreement (such as Varian Paxscan™ 4336, 4343, 4030R, 4030E, 2520 Series detectors) shall be explicitly written on an attached Schedule to this Agreement, and if no explicit Schedule is so attached, there shall be no Equipment Warranty Agreement for Third Party Equipment, which shall be sold or used “AS-IS”, and no document, agreement, notation, understanding, or communication of any kind to the contrary shall be valid.

Unless agreed to in writing by Cuattro, or otherwise noted herein, the initial term of the Software Support Agreement for new Software sold to Customer by Cuattro shall be one (1) year (the “**Initial Support Term**”) and shall begin upon the day of delivery of the Software to Customer, or if purchased by a Distributor, thirty (30) days following Software delivery to Distributor. The fee for the Initial Support Term is included as part of license of Software from Cuattro or purchase of the Equipment which is accompanied by Software. In no event shall the Initial Support Term or the Software Support Agreement for any Software exceed one (1) year. Notwithstanding the foregoing, Cuattro may offer and Customer may purchase successive, consecutive Renewal Support Options, where each Renewal Support Option shall give rise to a new, distinct, standalone Software Support Agreement by and between the Customer and Cuattro, separate from all prior purchases or agreements for Equipment, Software, Support, Warranty or Services. Cuattro may reject the purchase of any Renewal Support Option for any reason. Only Software is eligible for Support.

All repair and/or replacement costs or Service(s) not under a valid Equipment Warranty Agreement or Software Support Agreement will be invoiced at prevailing rates. Customer must approve charges and provide pre-approved payment, prior to Cuattro’s work not under Warranty or Support coverage, which may be denied by Cuattro, for any reason. Repair or replacement so provided is guaranteed for forty-five (45) days.

IV. CUSTOMER RESPONSIBILITIES TO OBTAIN BENEFITS

To limit potential Software and Equipment downtime, Customer agrees, unless instructed otherwise, in writing, by Cuattro, to:

1. Provide and maintain a broadband connection to the Equipment, with open firewall access for Cuattro, to provide for Cuattro's remote access at all times. CUSTOMER'S FAILURE TO MAINTAIN A BROADBAND CONNECTION, FIREWALL ACCESS AND NETWORK ACCESS TO THE PRODUCTS BY CUATTRO MAY (i) SEVERELY DELAY, LIMIT, OR PRECLUDE SERVICE, (ii) REDUCE SYSTEM UPTIME; AND (iii) RESULT IN ADDITIONAL COSTS.
2. Provide all assistance reasonably requested by Cuattro to assist in gathering data from the Equipment, Software and other equipment, and use best efforts to provide accurate and complete data, information regarding Service, and troubleshooting assistance.
3. Comply with the requirements of any implementation guidelines, security procedures, or other instructions provided by Cuattro, including having access to commercially available software reasonably necessary for access to or use of Customer, Equipment, or Software information.
4. Refrain from modifying, adding or combining any hardware or software to the Equipment or Software.
5. Ensure the security of networked Equipment and Customer supplied equipment, by taking appropriate measures to prevent unauthorized access to Equipment and interception of communications between Cuattro and the networked Equipment, including isolating networked Equipment from other networks, setting up firewalls, and other measures to ensure security of the Equipment and Software.
6. Ensure the Equipment is used solely in accordance with reasonable care and caution, with the requirements of the Equipment operation manuals and this Agreement, by properly qualified and licensed personnel. Provide a suitable environment for the Equipment. Maintain the temperature, cleanliness, debris-free nature and safety of that environment consistent with best care of the Equipment (including without limitation, protection from location structural deficiency; power surge, fluctuation or failure; or dust, sand, hair, fluids, moisture, chemicals or other particles or debris).
7. Promptly notify Cuattro of the occurrence of a Warranty or Support event. Additional damage, Warranty, Support or Service(s) arising from delay in notifying Cuattro of a claim may result in refusal, delay, or additional costs invoiced to Customer for Service arising or as a consequence of such delay.
8. Promptly cease using any Equipment or Software which may cause, has been identified as likely to cause, or does cause danger to patients, users, or any person, data loss, or data confidentiality breach, and to immediately notify Cuattro of such occurrence or likelihood of occurrence.
9. Reasonably assist Cuattro with customer serviceable parts removal, packaging, shipment, tracking and re-install, under the direct guidance and assistance of Cuattro, using (and not deviating from) Cuattro prepared written instructions and verbal instructions.
10. Pay all sales, use, ad valorem, excise, personal property or other tax or levy arising out of this Agreement, except taxes on Cuattro's net income.

V. CONDITIONS FOR REMEDIES

All remedies and Service(s) are expressly conditioned and priced on all of the following:

1. In the case of return of Equipment for Service, Customer must return the Equipment to Cuattro with a completed Return Material Authorization (RMA) describing the reason for return, date of removal, end user contact information, RMA #, and other pertinent information, in order to receive Service.
2. Repairs and adjustments of any Equipment or Software must be made (or directed in writing) by authorized Cuattro personnel only. Unauthorized repairs or adjustments will void all Equipment Warranties and Software Support.
3. If you want to connect any devices made by other companies to Equipment or Software, ask Cuattro for assistance. Only approved peripheral devices may be connected. Connecting non-approved peripheral devices or software to Equipment or Software may void the Warranty and Support.
4. High-energy applications using Equipment void Warranty. Customer is solely responsible for proper collimation and radiation dose.
5. All Equipment and Software must have been used under normal operating conditions, for the intended use, within the respective specified ratings, operating instructions, specifications, environmental limits, maximum duty cycles, and according to Product documentation and manuals. Misuse, abuse, including dropping of Products or other physical damage, improper installation, or improper environmental conditions will void all Service(s), Equipment Warranty and Software Support. Cuattro shall make the final determination in its sole discretion as to whether failure occurred in normal operation (thereby covered for Service(s)) or whether Equipment or Software was subjected to other than normal operation or environment (thereby excluded from Service(s)), in which case Service(s) will be billable as not under a valid Equipment Warranty or Software Support Agreement.
6. Cuattro's records shall determine the remaining Warranty or Support period with respect to Products and eligibility for Service. Cuattro's determination shall be final, unless Customer presents reliable, written evidence that a Service claim is covered by and within a current, valid Agreement.
7. Cuattro reserves the right to change the duration, frequency, type, nature, form, providing party, Data Hosting, and any other aspect of the Service, Support, Warranty, or Product without the prior approval of or notification to Customer, so long as such changes do not have a material adverse effect on the overall Customer's benefits hereunder.
8. If any Equipment or Software is purchased by or through a third party (Distributor), authorized by and in good standing with Cuattro at the time of purchase or license, then the Equipment Warranty Agreement and/or Software Support Agreement shall be solely for the benefit of the Distributor, and not the customer of the Distributor. In such cases, customer of Distributor may obtain service through Distributor.
9. Cuattro may fulfill its obligations by obtaining the benefit of any original equipment manufacturer warranty available to Cuattro, and in so doing, the remedies available hereunder shall be subject to the limits, terms and conditions of such original equipment manufacturer warranty or support.

VI. EXCLUSIONS FROM COVERAGE

Services under Agreement(s) and any purchase involving a trade-in of Customer property DO NOT include (i) the provision and maintenance of a broadband connection to the Equipment; (ii) the provision of security measures to protect Site network from unauthorized access or virus; (iii) support for remote connectivity solutions not installed by Cuattro; (iv) support, counseling, recommendation or instruction for the repair, replacement or disposal of accessories, power supply equipment or consumable items, including without limitation batteries, cassettes, computers, monitors, intensifiers, generators, tables, magnets, radiation sources, tubes, compressors, film processors, chemicals, software, hard drives, bulbs, glassware, dyes, or storage media; (v) the provision, support, counseling recommendation, instruction, payment, or reimbursement of any rigging, removal or facility cost, including monitor mounting, cable installation, computer mounting, network cabling, or other activities related to information technology; (vi) material and labor costs associated with existing facilities (e.g. wire, termination fields, network facilities, electrical infrastructure, equipment room, peripherals, or adjuncts); or (vii) temporary installation of equipment for testing, training, and other purposes. Cuattro bears no responsibility for failure to provide Services because of difficulties with broadband connectivity or factors out of Cuattro's control. No Agreement or agreement(s) shall cover, to the extent that malfunction or request for Service, Warranty or Support is caused by, in Cuattro's reasonable opinion, (i) accident, abuse, alteration, misuse or neglect, (ii) failure to use Products under normal operating conditions or environment or within Cuattro specified ratings or according to Cuattro operation instructions (including damage from liquid or temperatures outside of environmental and duty cycle ranges), (iii) lack of routine care or maintenance, (iv) failure to use or take any proper or reasonable precautions or failure to use Products for their intended use, (v) user modification of any Equipment or Software, (vi) connection of any device or peripheral to the Products that has not been approved in writing by Cuattro prior to such use, (vii) latent defects discovered after expiration of the applicable warranty period, (viii) consultation or training to assist your development or modification of any software or protocols, or (ix) material and labor costs associated with reusing existing facilities (e.g. wire, termination fields, network facilities, equipment, peripherals, adjuncts, existing x-ray generators or their components) and temporary install of any item for testing, or any purpose. No Equipment Warranty or Software Support includes coverage for (i) Customer-supplied software, (ii) equipment warranted by another manufacturer, (iii) replacement of expendable, consumable or limited life items, including X-ray Tube(s), detector tunnels, grids, carry bags, hand clickers, foot pedals, containers, batteries, bulbs, radiation sources, storage media, and/or additional protective or patient positioning devices used with the Products, (iv) new personnel training, education, continuing education credits, or professional or regulatory accreditation. Equipment Warranty or Software Support or Services NEVER extend beyond the Equipment or to devices not provided by Cuattro or to any facilities connected to, providing power or data to, drawing power or data from, or in any way associated or linked to the Equipment or Software.

VII. PROPRIETARY SERVICE MATERIALS (NO RIGHT)

In connection with the Service(s), Warranty, Support, installation, configuration, maintenance, repair, and/or de-installation of the Equipment or Software, we may deliver to the Site items or Advance Loaner(s) that are not Yours. The presence of this property within the Site will not give you any right or title to it or any license or other right to ongoing access, ongoing use, to keep or to decompile this property. Any access to or use of this property by anyone other than You, as limited by this Agreement, or Cuattro personnel, is prohibited. You agree that you will use best efforts to protect this property against damage, loss or use of this property contrary to this prohibition. You agree to provide Cuattro unrestricted access to this property during business hours, and to assist Cuattro with its return or recovery, without condition, delay, or assertion of any right to borrow, keep, use or own this property.

VIII. DATA HOSTING

LIMITATIONS ON USE OF DATA BY CUATTRO AND CUSTOMER RIGHT OF RETURN OF DATA

In connection with all Data confirmed to have been received by Cuattro, by any means, including but not limited to product demonstration, Cuattro may retain possession and ownership of one or more copies of Data and shall have rights of backup, copy, use, anonymized publication and use for image tuning, training and other benefits arising from such copies of Data. Data Hosting provides same-day web access to Data for studies successfully stored and confirmed to have been received by Cuattro, until termination of Data Hosting or return of Data to Customer. CUATTRO AGREES NOT TO SELL OR LEND ANY OF CUSTOMER'S DATA FOR ANY PURPOSE NOT RELATED TO THE PROVISION OF SERVICE, SUPPORT, WARRANTY, DATA HOSTING, AIDING A DIAGNOSIS, TRAINING, IMAGE TUNING, OR OTHER ACTIVITY REASONABLY RELATED TO FULFILLMENT OF THIS AGREEMENT (UNLESS REQUIRED BY REGULATORS, FOR CONSUMER PROTECTION, OR RECALL). CUATTRO SHALL NOT USE DATA TO CONTACT, SOLICIT, OR MARKET TO CUSTOMER'S PATIENTS OR THEIR RESPONSIBLE PARTIES. A COPY OF CUSTOMER DATA IN CUATTRO'S POSSESSION SHALL BE RETURNED TO CUSTOMER IN GOOD STANDING, UPON TERMINATION OF AGREEMENT FOR DATA HOSTING OR CUSTOMER'S WRITTEN REQUEST, AT ANY TIME, FOR ANY REASON, FOR A PREPAID $500 FEE.

END OF DATA HOSTING

Upon any termination of Data Hosting, Customer may or may not (in Cuattro's discretion) be eligible for another Data Hosting agreement, product, or service. Upon termination of Data Hosting, Cuattro shall have no further obligation to Customer for Data, Data Hosting, or Data retention, except as expressly agreed to in this Agreement. Upon termination or non-renewal of Data Hosting, Customer shall pay, within twenty-one (21) days of invoice, $500, and twenty-one (21) days thereafter Cuattro will return to Customer the Data Cuattro's possession. Upon receipt of returned Data, Customer shall; (i) by written, signed release drafted by Cuattro; (1) acknowledge the sufficiency and completeness of such returned Data, (2) represent that such returned Data is the complete Data to which Customer claims any right or benefit, and (3) release Cuattro from any past, current, and future obligation or liability relating to any Data or data, whether received or not by Cuattro, or (ii) provide to Cuattro a complete, written accounting, including Study date, patient, and number of images, for each instance of Data for which Customer claims loss. In the event Customer refuses to pay the $500 fee for return of Data, Customer shall within thirty (30) days from termination, by written, signed release drafted by Cuattro, release Cuattro from any past, current, and future obligation or liability related in any way to any Data or data, whether received or not by Cuattro. By executing this Agreement, Customer agrees that Customer releases Cuattro from any obligation or liability for Data, Data Hosting, or data incurred before Cuattro's written acceptance of agreement that includes Data Hosting, and after termination of each agreement that includes Data Hosting. If, for any reason, Cuattro cancels or substantially curtails any Data Hosting prepaid for by Customer, Cuattro shall return to Customer a copy of Data, at no charge, within sixty (60) days of cessation that specific Data Hosting and refund to Customer any prepaid amounts, less proration for the period(s) used.

DATA HOSTING GENERAL TERMS AND LIMITS

Customer is solely responsible for meeting the regulations of the authorities over the Site and Customer that govern medical records. Data Hosting does not replace Customer's obligations with respect to laws regarding the retention of medical records. If applicable, Customer shall indemnify and hold harmless Cuattro, and Cuattro shall not be liable to Customer or anyone for Customer's failure to adhere to HIPPA, whether or not Cuattro has been advised of the actual or possible Customer deficiency or violation of HIPPA by Customer. Customer agrees that Cuattro may, for all Data Hosting, virtualize server technology and database and Data, and use any DICOM .90, .91, or other data compression schemes in DICOM or the medical imaging industry generally, as determined and chosen by Cuattro. Cuattro shall have no obligation, explicit, express, or implied, now or in the future, to offer or to receive, store, host, serve, maintain, provide access to, or protect Data or Data Hosting, except; (i) as specifically required by law, or (ii) as provided for by a written and countersigned, in-force, paid-up, valid W-POS or W-SW product(s) or Software Support Agreement (or written, countersigned extension), that includes the provision of Data Hosting, in which case Cuattro shall provide, directly or indirectly, through one or more intermediaries or assigns, Data Hosting for the time period and at the costs explicitly required. Notwithstanding anything to the contrary, in no case shall Cuattro's obligation of Data Hosting; (i) in each instance of Data, exceed seven (7) years from time of verified receipt by Cuattro; (ii) cover any Data or period for which a valid, in-force, paid-up agreement for Data Hosting was not in force, had lapsed, or was interrupted for "acts of God" or was under dispute over failure to pay amounts due Cuattro; or (iii) Data from any equipment, or software that is not Equipment or Software or DICOM Node (as defined below). Each unit of Data Hosting, is calculated to be a DICOM "Study" that includes the medical images of one exam on one patient, billable per such unit, at a rate of **two ($2.00) dollars** per Study (one time, paid in full), and a minimum of **seventy ($70.00) dollars** per month (unless expressly agreed otherwise in a paid up W-POS or W-SW), expressly under the limitations, exclusions, and terms in Article IX "Exclusions of Implied Warranties and Limitations on Damages and Liabilities" of this Agreement. Future Data Hosting charges may be revised up or down in the sole discretion of Cuattro, but not retroactively to Studies already received and Data Host(ed).

Each Study proved to have been received by Cuattro for Data Hosting is deemed to be an individual transaction giving rise to an individual, separate maximum price for that Study of **two ($2.00) dollars**, or minimum price for that Study as calculated by dividing the total amount paid for Data Hosting by the number of monthly period(s) and further by the number of Studies received in the month in which the Study was received. In no event shall Cuattro's liability claimed by anyone for Data or Data Hosting, whether by failure, loss, negligence or non-performance, exceed the lesser of Article IX or the actual price paid for the individual Study which Data Hosting was or was to have been provided. Any Data Hosting that are at billed $0 per study, such as for sales or trial demonstrations, Service or Support are secondary storage services and give rise to Customer being solely responsible for storing and protecting Customer's own primary copies of such Data and maintaining copies of Data for retrieval by Customer's own labor and equipment. For Data Hosting included as part of W-POS or W-SW or any agreement, monthly Data transfer of 10 Gigabytes apply ("Data Monthly Limit"). Data over the Data Monthly Limit may incur a fee of **two ($2.00) dollars** per Study. Customer agrees that Cuattro is not liable for Study(ies) or Data not received by Cuattro.

DATA MIGRATION

Upon Customer provision to Cuattro of a hard drive media containing uncorrupted, standard, uncompressed DICOM data and database (or other formats acceptable for Data Host in .91 DICOM), and upon payment by Customer of $2,500 data migration fee, Cuattro shall, within thirty (30) days of Cuattro's written acceptance, upload the qualifying portion of the data for Data Hosting, subject to these MWSTC (which must be signed by Customer prior to Cuattro's acceptance of hard drive media with Customer data) ('Data Migration"). Cuattro shall not return media on which data is provided to Cuattro and Customer is responsible for retaining his/her own copy of all such data for permanent archival and safe keeping by Customer. Cuattro is not responsible for lost data incurred by Customer while copying data and until data is proved by documentation to have been received by Cuattro, including signature of receipt from a national overnight delivery service, Cuattro shall have neither liability for nor duty to protect the data. Following notification of successful Data Migration (after which data sent pursuant to this Article shall become Data), Customer shall have thirty (30) days to provide to Cuattro a complete, written accounting, including Study date, patient, and number of images, for each instance of Data for which Customer claims is not stored with Data Hosting, and after thirty (30) days, if no such accounting is submitted by Customer, Customer shall be deemed to have acknowledged the sufficiency and completeness of Data Migration, Data, and Data Hosting and shall release Cuattro from any past, current, and future obligation or liability with regard to any data that Customer or another entity might subsequently claim is missing from Data Hosting for the data from the Data Migration. The fee for Data Migration shall be **two-thousand-five-hundred-dollars ($2,500)** unless otherwise negotiated, specifically, in writing, in advance, by the Parties.

DICOM NODE ACCEPTANCE AND FEE

DICOM devices attempting to store Data for Data Hosting (such as third party ultrasounds or other imodalities not purchased from Cuattro) (each a "DICOM Node") must be pre-authorized in writing by Cuattro and shall each incur a one-time verification and connect fee of **one-thousand-five-hundred-dollars ($1,500).** Cuattro, in its sole discretion, reserves the right to decline to receive, to block, or to disconnect DICOM Node(s) and their Data from Data Hosting, at any time, without notice, permanently or temporarily, provided however that if Cuattro does so, Cuattro shall return to Customer a copy of DICOM Node Data in Cuattro's possession, at no charge. Customer agrees to cooperate and to implement Cuattro's recommendations with regard to DICOM .90, .91, or other DICOM standards for compression, to limit ultrasound Cine-loops to no more than five (5) seconds (30 frames per second) and to use recommended Store, and Send protocols. For Data accepted by Cuattro for Data Hosting, Customer shall be charged per Data Hosting General Terms and Limits.

IX. DISPUTE RESOLUTION

If any party alleges a breach of the terms of this Agreement, then the party alleging will inform the other party in writing. Upon receipt of such notice, the receiving party will have 20 days to cure the alleged breach. If the parties do not agree that effective cure has been accomplished by the end of the 20-day period, then a senior manager from each party will meet in person and confer in good faith to resolve the dispute within 21 days of the expiration of the prior 20 day period. If, the dispute still remains unresolved, the dispute will be submitted to the office of the American Arbitration Association ("AAA") located closest to Denver, Colorado USA for binding arbitration in front of one (1) arbiter, in accordance with the AAA's Commercial Arbitration Rules then in effect. The law applicable to the arbitration is the US law of the State of Delaware, without regard to conflict of law principles. Cost of the arbitration, including fees and expenses of the arbitrator(s), will be shared equally by the parties, with each party paying its own attorneys' fees, travel expenses, and other costs. The arbitrator(s) will have authority to apportion liability, but will not have the authority to award any damages not available under this Agreement. The arbitration award will be presented to the parties in writing, and upon the request of either party, will include findings of fact and conclusions of law. The award may be confirmed and enforced in any court of competent jurisdiction. Any post-award proceedings will be governed by the law of the State of Delaware, without regard to conflict of law principles. Any amount not paid when due shall accrue a late charge at a rate of one and one-half percent (1.5%) per month or the maximum rate provided by law. If Customer is delinquent in paying any amount (however arising) owed to Cuattro by more than thirty (30) days, then without limiting any other rights and remedies available to Cuattro under the law, in equity, or under contract, Cuattro may (i) suspend provision of the Services and Software until all outstanding amounts are paid, or (ii) by notice to Customer, treat such delinquency as a repudiation by Customer of the portion of the Agreement not then fully performed, whereupon Cuattro may cancel all further obligations with respect to Services and Support.

X. EXCLUSION OF IMPLIED WARRANTIES AND LIMITATIONS ON DAMAGES AND LIABILITIES

EXCEPT AS EXPRESSLY REPRESENTED IN THIS AGREEMENT, AND TO THE EXTENT NOT PROHIBITED BY LAW, ALL SERVICES ARE PROVIDED "AS IS", WITHOUT WARRANTY OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING FOR QUALITY, RELIABILITY, TIMELINESS, USEFULNESS, SUFFICIENCY AND ACCURACY. **THE LIMITED WARRANTIES SET FORTH HEREIN ARE EXPRESSLY IN LIEU OF AND EXCLUDE ALL OTHER WARRANTIES, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND OF FITNESS FOR A PARTICULAR PURPOSE, USE OR APPLICATION. CUATTRO'S TOTAL LIABILITY IN DAMAGES AND YOUR EXCLUSIVE REMEDY SHALL BE THE LESSER OF; (A) CUATTRO TO RE-PERFORM SERVICES; PROVIDED, THAT IN THE EVENT CUATTRO IS UNABLE TO CORRECT ANY DEFAULT, CUATTRO MAY ELECT TO REFUND AN AMOUNT EQUAL TO THE ACTUAL FEE PAID TO CUATTRO FOR THE MOST RECENT, IN EFFECT, UNUSED PORTION OF, FOR EQUIPMENT, EQUIPMENT WARRANTY AGREEMENT OR, FOR SOFTWARE, SOFTWARE SUPPORT AGREEMENT (REGARDLESS OF WHETHER A DEFAULT OCCURS DURING THE INITIAL TERM OR A RENEWAL OPTION) IN FULL SATISFACTION OF CUATTRO'S OBLIGATIONS. SUCH REPERFORMANCE OR REFUND SHALL CONSTITUTE CUATTRO'S ENTIRE LIABILITY FOR A DEFAULT OR BREACH; OR (B) AN AMOUNT NOT TO EXCEED PAYMENT RECEIVED BY CUATTRO FOR THE UNIT OF EQUIPMENT, SOFTWARE, SERVICE, WARRANTY AGREEMENT OR SUPPORT AGREEMENT, OR DATA HOSTING, SUBJECT TO THE SPECIFIC LOSS CLAIMED. IN NO EVENT SHALL CUATTRO BE LIABLE FOR COVER, INCIDENTAL, CONSEQUENTIAL, INDIRECT, PUNITIVE, OR SPECIAL LOSS OR DAMAGES OF ANY KIND, INCLUDING CLAIMS OF ANY THIRD PARTY, SUCH AS, BUT NOT LIMITED TO, LOST REVENUE, LOST PROFITS, OR BUSINESS INTERRUPTION, THAT RESULT FROM SERVICE(S), AGREEMENT(S), EQUIPMENT, OR SOFTWARE, HOWEVER CAUSED, WHETHER BASED ON CONTRACT, TORT OR OTHER THEORY**, OR THE COST OF SUBSTITUTE PRODUCTS OR SERVICES, WHETHER ARISING FROM BREACH OF THIS AGREEMENT, BREACH OF WARRANTY, NEGLIGENCE, INDEMNITY, STRICT LIABILITY OR OTHER TORT. CUATTRO SHALL HAVE NO LIABILITY FOR ANY GRATUITOUS ADVICE. TO THE EXTENT ALLOWABLE UNDER LAW, UNDER NO THEORY, INCLUDING NEGLIGENCE, WHETHER ADVISED OF THE POSSIBILITY OR NOT, IS CUATTRO LIABLE FOR THE LOSS OF OR INABILITY TO ACCESS DATA OR RECORDS, OR FOR YOUR OR ANY PARTY'S FAILURE TO MEET THE REQUIREMENTS OF ANY STATUTE. **NO CLAIMS, REGARDLESS OF FORM, ARISING OUT OF OR IN ANY WAY CONNECTED WITH EQUIPMENT, SOFTWARE, SUPPORT, WARRANTY, AGREEMENT, OR SERVICES FURNISHED BY CUATTRO, MAY BE BROUGHT BY CUSTOMER OR ANY PARTY MORE THAN ONE (1) YEAR AFTER THE CAUSE OF ACTION HAS OCCURRED OR CUATTRO'S PERFORMANCE HAS BEEN COMPLETED OR TERMINATED, WHICHEVER IS EARLIER. YOU AGREE AND ACKNOWLEDGE THAT THE PRICE PAID BY YOU FOR THE SERVICE(S), SOFTWARE SUPPORT, EQUIPMENT WARRANTY, SOFTWARE, AND EQUIPMENT IS BASED UPON AND CONTINGENT UPON THESE LIMITATIONS OF LIABILITY, AND THAT EACH PRICE CHARGED WOULD HAVE BEEN FAR GREATER HAD NOT ALL PARTIES AGREED TO THESE STRICT LIMITS OF LIABILITY, EXCLUSIONS OF WARRANTIES, PROVISIONS FOR DISPUTE RESOLUTION, AND THE LAWFULNESS, REASONABLENESS, AND MUTUAL ACCEPTANCE OF EACH.**

XI. PROVISIONS GOVERNING SOFTWARE LICENSE

Software is licensed, not sold. You are granted a limited license for any Software associated with the Equipment ordered and delivered by us to you. This license allows you to use the Software only on the Equipment, only at a single Site, only in accordance with the Agreement. **Cuattro reserves the right to deactivate Software and access to Software, Data, Data Hosting, and Service(s) until all payments due from you to us are received, and you agree that this remedy is reasonable, and you disclaim any complaint, damage, or liability related to our exercise of this remedy.** Software is protected by the copyright laws of the United States and international treaties. No rights under copyrights are transferred to you, except as specifically provided for in this Agreement. You may not distribute copies of the Software to others or electronically transfer the Software from one computer to another over a network. The Software contains trade secrets. You may not decompile, reverse engineer, disassemble, or otherwise reduce the Software to a human-perceivable form. YOU MAY NOT MODIFY, ADAPT, TRANSLATE, RENT, LEASE, LOAN, RESELL, DISTRIBUTE, NETWORK, OR CREATE DERIVATIVE WORKS BASED UPON THE SOFTWARE OR ANY PART THEREOF. Software EUSLA will apply and will be delivered as part of Software and with Equipment, and use of Software indicates EUSLA acceptance by You. All Software and documentation related to the Software or to Equipment remain the property of Cuattro or Cuattro, LLC. The media on which the Software is recorded is your property. With respect to Software recorded on your media, you may request that we erase our Software. If you receive Software that renders Software that you then have redundant, you must return the redundant Software to us or certify in writing that you have erased all copies of it.

SCHEDULE A: END USER SOFTWARE LICENSE AGREEMENT V H1-1-13 ("EUSLA")

This End-User Sublicense Agreement ("*EUSLA*") is a legal agreement between you (either a person or a single legal entity, who will be referred to in this EUSLA as "*You*"), and Cuattro, LLC or its assigns, including Heska Imaging US, LLC ("*Sublicensor*" *or* "*Cuattro Vet"*), jointly (*"We"* or *"Our"* or "*Us"*) for the use of the software, or any portion thereof, that may accompany this EUSLA, including any associated media, printed materials and electronic documentation (collectively, the *"Software"*). Software also includes, without limitation, software updates, add-on components, web services and supplements that may be provided or made available to You after the date You obtain your initial copy of the Software, to the extent that such items are not accompanied by a separate license agreement or terms of use. By installing, copying, downloading, accessing or otherwise using the Software or Data Hosting, You agree to be bound by the terms of this EUSLA. Software is sublicensed, not sold, and no title to Software is transferred to You.

1) GRANT OF SUBLICENSE. Subject to the terms and conditions herein, You are granted a non-exclusive sublicense to use Software solely on one (1) computer or Cuattro Vet Equipment sold through an authorized Cuattro Vet reseller, OEM, or Distributor, solely for the purpose of furtherance of your expert veterinary medical diagnosis within the United States of America, provided that the product(s) on which the Software is operating has regulatory, governmental, safety, and legal approval for use in the locale in which you intend to use them, and that You take full responsibility in determining if such product(s) have such approvals. Cuattro Vet reserves the right to delay activation or deactivate Software until all payments owed from you are received; you agree that this remedy is reasonable, and you disclaim any complaint, damage, loss of profits or liability related to this remedy. From time to time, Software may require re-registration, and You agree to input the necessary information and confirm adherence to this EUSLA and any Agreement(s) between Us to complete re-registration, and that, if you do not do this, the Software may not function.

2) RIGHTS AND LIMITATIONS. Copyright, trademark, and trade secrets laws, international treaty provisions and various other intellectual property laws protect Software. You may not copy, modify, reverse engineer, decompile, or disassemble any Software under any circumstances. Notwithstanding the foregoing, You may make one copy of the Software for back-up and archival purposes. The Software's component parts may not be separated for any use. You may not use Software for commercial purposes or display (other than as an individual end user), nor sell, or otherwise transfer it for value. "Commercial purposes" include, without limitation, the use of the Software to create publicly distributed computer software or demonstrations or comparisons. You may not rent, lease, lend or provide commercial hosting services with respect to Software. You may not copy the printed materials accompanying the Software, nor use such printed materials in the creation, design, or coding of or comparison with another product. You may not remove, modify or alter any copyright or trademark notice from any part of the Software, including those contained in or otherwise created by the Software. You may receive Software in more than one medium. Regardless of the type of the medium you receive, you may use only that one medium that is appropriate for your single computer or device. You may not use or install the other medium on another computer or device. You may not loan, rent, lease, or otherwise transfer the other medium to another user. Upon transmission, using the Software , of any data to Us, You confer onto Us, as applicable, access, ownership and use rights to such data, without limitation the right to display, publish, or use in any fashion such data, provided however that We shall maintain compliance with HIPPA, if applicable, and any other applicable patient confidentiality laws and regulations protecting the data.

3) UPGRADES and SUBSCRIPTION. If Software is identified as an "upgrade" or "subscription," You may use the upgraded product only under the limits and terms of this EUSLA. If the Software is an upgrade of a component of a package of software programs that you licensed as a single product, the Software may be used only as part of that single product package and may not be separated from the package.

4) OWNERSHIP & OTHER RESTRICTIONS. All right, title, interest and other proprietary rights (including without limitation trademarks and copyrights) which pertain to Software , including without limitation accompanying printed materials and copies of the Software , are owned or licensed by Cuattro, LLC or its affiliates, and remain Cuattro, LLC's property.

5) SUPPORT. We may provide you with support services related to the Software ("*Support*"). The provision and use of Support is subject to the terms and conditions herein, and the terms and conditions of the Cuattro Vet Master Warranty and Support Terms and Conditions and any License to which Sublicensor is subject. Any supplemental software code provided to you as part of Support shall be part of the Software and subject to this EUSLA. With respect to technical information or Data You provide as part of the Support, it may be used for any of Our business purposes, unless otherwise limited in writing.

6) TERMINATION ASSIGNMENT AND LAW. We may terminate this EUSLA if You fail to comply with the terms and conditions of this EUSLA or pay monies owed to Us or violate any Agreement between You and Us. Such termination is not the exclusive remedy to Us. If such termination occurs, You must destroy all copies of Software and its component parts, and We are under no obligation to activate, re-activate, extend, or otherwise make useable the Software. You may not partially or wholly transfer your rights under this EUSLA, without the express written permission of Cuattro, LLC and Cuattro Vet. This Agreement shall be governed by and construed for validity, performance, and enforced in accordance with the laws of the State of California (USA), without giving effect to the choice of law principles thereof.

7) LIMITED WARRANTY AND LIABILITY. Sublicensor agrees, at its option, and such action will be Customer's sole remedy with respect thereto, to (a) repair or replace defective Software; or (b) reperform Support. This limited warranty is void if failure of Software has resulted from Customer's negligence, accident, abuse, misapplication, external factors beyond Our control, or other event within Customer's control. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, WE DISCLAIM ALL WARRANTIES AND CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT, WITH REGARD TO THE SOFTWARE AND THE PROVISION OF OR FAILURE TO PROVIDE SUPPORT. To the extent implied warranties may not be entirely disclaimed but implied warranty limitations are allowed by applicable law, implied warranties on the Software, if any, are limited to ninety (90) days. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL WE BE LIABLE FOR ANY SPECIAL, INCIDENTAL, INDIRECT, COVER, OR CONSEQUENTIAL DAMAGES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, FOR LOSS OF PROFITS, DATA, BUSINESS INTERRUPTION, MALPRACTICE LIABILITY, OR ANY OTHER PECUNIARY LOSS) ARISING OUT OF THE USE OF OR INABILITY TO USE THE SOFTWARE OR THE PROVISION OF OR FAILURE TO PROVIDE SUPPORT SERVICES, EVEN IF WE WERE ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN ANY CASE, OUR ENTIRE LIABILITY UNDER ANY PROVISION OF THIS EUSLA SHALL BE LIMITED TO THE AMOUNT YOU ACTUALLY PAID BY YOU FOR (i) THE SUBLICENSE OF SOFTWARE OR (ii) SUPPORT THAT DIRECTLY CAUSED THE DAMAGE. YOU REPRESENT THAT YOU ARE A LICENSED MEDICAL PRACTITIONER AND THAT YOU ARE SOLELY RESPONSIBLE FOR YOUR DIAGNOSTIC AND MEDICAL OPINION. YOU ACKNOWLEDGE THAT THE SOFTWARE IS AN ADVISORY DEVICE AND IS NOT DESIGNED TO SUBSTITUTE FOR THE PRIMARY DEFENCES AGAINST DEATH OR INJURY DURING SURGICAL, MEDICAL LIFE SUPPORT OR OTHER POTENTIALLY HAZARDOUS APPLICATIONS WHICH SHALL CONTINUE TO BE SOLELY DEPENDANT YOUR SKILL, KNOWLEDGE AND EXPERIENCE.

SCHEDULE B. EQUIPMENT WARRANTY AGREEMENT

Equipment purchased by Customer, from Cuattro or authorized Distributor of Cuattro, and also identified below in Equipment Products Schedule will be covered by this Equipment Warranty Agreement. Items not both purchased, from Cuattro or authorized Distributor of Cuattro and also listed in the Equipment Products Schedule are specifically excluded and have no warranty. Cuattro warrants Equipment covered by this Equipment Warranty Agreement shall be free from defects in material and workmanship that impair their performance and that Equipment shall be in substantial compliance with operational features of Cuattro's published specifications at the time of original sale. Warranty Service and conditions are subject to conditions and limitations of this Agreement and any in force Equipment Warranty Agreement, Renewal Warranty Option and Initial Warranty Term. No Warranty Agreement is transferrable, without the express written permission of Cuattro, in Cuattro's sole discretion, provided however that Cuattro shall not unreasonably withhold permission.

EQUIPMENT PRODUCTS SCHEDULE (NEW, NOT USED OR THIRD PARTY)

	DETECTORS
V_____	VARIAN SERIES (NEW) (2520, 4336, 4343, 4030R, 4030E) SERIES DIGITAL RADIOGRAPHY DETECTOR
S_____	NEW CUATTRO 1012 / 14x17 / 17x17 SERIES DIGITAL RADIOGRAPHY DETECTOR
	ACQUISITION CONSOLES

SM-____	SERIES: CLOUD DR (VETERINARY) OPERATOR’S CPU AND TOUCHSCREEN
EQ-_____	SERIES: UNOEQ CONSOLE
UNO____	SERIES: UNO2 CONSOLE
SLATE____	SERIES: SLATE CONSOLE
PS-_____	ADDITIONAL SAMSUNG DETECTOR POWER SUPPLY AND CABLE PACKAGE
	X-RAY MECHANICALS AND TABLE (EXCLUDES TUBE AND ELECTRONICS, WHICH ARE 1 YEAR MAX AND NOT EXTENDABLE)
__-GEN	SM SERIES X-RAY MECHANICALS AND TABLES (EXCLUDES TUBE AND GENERTOR ELECTRONICS)
	PACS AND DICOM HARDWARE
MYCLOUD	MYCLOUD DICOM SERVER EQUIPMENT
	ULTRASOUND
ESAOTE	MYLAB 1 / 5 / 30 / 40 / 50 / CLASS C / ALPHA / TWICE

INITIAL WARRANTY TERM

The initial term of the Equipment Warranty Agreement shall be one (1) year (the "**Initial Warranty Term**"). The fee for the Initial Warranty Term of Equipment Warranty Agreement is included as part of purchase of Equipment from Cuattro. In no event shall the Initial Warranty Term for a Product exceed one (1) year.

EXTENSION OPTIONS AND SCHEDULE OF PRICING

Customer may have the option to extend the Equipment Warranty Agreement (each, a "**Renewal Warranty Option**" giving rise to a new Equipment Warranty Agreement *and* requiring the purchase of a Renewal Support Option for Software Support Agreement). Once an Equipment Warranty Agreement expires, Customer's option to renew it also expires. However, additional terms and renewal of Equipment Warranty Agreement may be available for purchase in Cuattro's sole discretion. Renewal Warranty Option is only available with the concurrent purchase of a Renewal Support Option. Equipment Warranty Agreement cannot be purchased without Software Support Agreement. If accepted by Cuattro, the Renewal Warranty Option and arising Equipment Warranty Agreement shall cover all Equipment (provided however, that if Esaote ultrasound Equipment is covered or used Third Party Equipment is covered, an additional charge is levied and additional warranty terms apply to those items, per the additional Schedule executed with this Agreement), subject to the terms, definitions, and conditions of the Equipment Warranty Agreement. Purchase of a Renewal Warranty Option is evidence of express approval from Customer to subject all Equipment to the most recent Equipment Warranty Agreement and MWSTC then in effect on the date of commencement of the latest Renewal Warranty Option. Only Equipment explicitly listed on Equipment Products Schedule or an attached Schedule to this Agreement is covered. Equipment not specifically listed is NOT covered under this Agreement or any Warranty Service. All amounts are net of taxes, which shall be added, if any, to final invoices. The renewal rate for each Renewal Warranty Option, which can change without notice, is:

PART #	DESCRIPTION	PRICE
W-HW-X1	VETERINARY (USA/CANADA) EQUIPMENT WARRANTY AGREEMENT ONE YEAR EXTENSION	$2,500
POS-X	BUNDLED MULTI-YEAR PACKAGES OF W-HW AND W-SW X1-X4	ADDT'L SCHEDULE
W-US-POS-O__	ESAOTE ULTRASOUND POINT OF SALE EXTENSION ON-SITE (UPCHARGE)	ADDT'L SCHEDULE
W-US-POS-F__	ESAOTE ULTRASOUND POINT OF SALE EXTENSION – AT FACTORY (NO LOANER) (UPCHARGE)	ADDT'L SCHEDULE

To be eligible for Renewal Warranty Option, all Equipment must have, from the time of delivery from Cuattro (or in the case of used Equipment originally sold to Customer by a third party, from first Initial Term); (i) been covered under a valid Equipment Warranty Agreement, continuously, without interruption, without void incident, and (ii) been stored, cared for, maintained, and operated in conformance with this Agreement. Software Support is separate from and not included in any Equipment Warranty Agreement.

Fees and Payment

The annual fee for each Renewal Warranty Option is billed and due, in advance, in one lump sum.

For out of Warranty Service(s) **not** included as part of valid, paid up, current Agreement, fees will be Cuattro's then current fee rate per hour plus the costs of materials. Current rates are:

1. Hourly Rate (Prorated per ½ hour blocks only): $250 per Hour
2. Travel Rate (Per Day, plus actual transit, lodging, dining expenses): Lesser of $2,000 per Day / $250 per Hour – 4 Hour Minimum
3. Advanced Replacement Loaners for non-covered events may be available for $750 per week (Shipping Charges Apply).
4. Covered Service(s) will be performed without charge from 9:00 am to 6:00 pm, Monday-Friday (EST), excluding Cuattro's regular holidays, and outside those hours at our prevailing service rates and subject to the availability of personnel, at Cuattro's facility. Repaired or replaced Equipment shall have the benefit of the longer of (i) the remaining Equipment Warranty Agreement term; or (ii) a forty-five (45) day warranty, subject to the terms and conditions set forth herein.

FREIGHT PAYMENT. USED DETECTOR REPLACEMENT CO-PAYMENT. ON-SITE REQUEST CO-PAYMENT.

For Customers in the United States of America, Cuattro shall pay up to economy (not overnight unless authorized in writing) freight charges for covered Service validly processed under RMA and this Agreement. When Customer ships any Equipment, Advance Loaner or other items to Cuattro, Customer is solely responsible for freight damage and all costs due to inadequate Customer packaging. If unsure whether an item is packaged properly, contact Cuattro prior to shipment.

Used (non-new) Product Detectors (e.g. Varian 4030/4336/4343 or Canon 50G/60G/31 Series or any Detector not warrantied by Cuattro continuously since first use) qualifying under Warranty for replacement (i.e. Detector SN# is replaced with another Detector SN#), such Warrany coverage being specifically itemized and paid for under documents between You and Cuattro, will incur a **four-thousand-five-hundred dollar ($4,500**) Customer Co-Payment, if Detector replacement occurs after sixty (60) days of receipt by Customer. Cuattro will make reasonable determination of when a replacement event is required to fulfill a Detector's Warranty. The maximum number of Co-payments is capped at one (1) per calendar year. But for this Co-Payment, the Parties agree prices for Warranty would be higher.

Service for events covered under Warranty, that in Cuattro's reasonable estimation can be provided for remotely, but Customer requests be delivered by Cuattro personnel deployed to Customer's Site, shall incur an On-Site Copayment of **five-hundred ($500) dollars**, payable in advance of Cuattro personnel travel. Cuattro retains sole discretion and decision authority on whether to send Cuattro personnel to Customer Site, and may authorize or deny, without penalty or liability, Cuattro personnel travel to Customer Site. Cuattro will use reasonable efforts to meet Customer request(s) for on-site Service.

REMEDIES, ADVANCED LOANER, 99% UPTIME GUARANTEE

Warranty Call Center: **1-877-243-6719 (24 hours per day / 7 days per week / 365 days per year) or support@cuattro.com**

If Customer promptly notifies Cuattro of a warranty claim for Service, and makes the Equipment available for Cuattro inspection, provides a valid Equipment serial number, and use best efforts to assist Cuattro with inspection, and Cuattro confirms that Equipment has failed during the Equipment Warranty Agreement term, through no fault of Customer, Cuattro will, upon Customer's return of the failed Equipment to Cuattro, repair, adjust, or replace, in Cuattro's sole discretion, (with new, reconditioned, or exchange replacement parts) the non-conforming Equipment or parts of the Equipment, via freight exchange, contractor, repair at Cuattro's facility or repair at Customer Site. For Service(s) for Level 1 issues (cannot acquire and display x-rays) that Cuattro cannot complete, as reasonably pre-estimated by Cuattro, within twenty-four (24) hours of receipt of Equipment from Customer, Advanced Loaner(s) may be available, if initiated by 2:00P CST, within twenty-four (24) hours following Cuattro's acceptance of a qualified claim for Service and identification of the part(s) determined by Cuattro to be appropriate for Advanced Loaner remedy. Cuattro's assessment for qualification for Service shall not be unreasonably withheld or delayed. In those cases that Cuattro authorizes sending of Advanced Loaner(s) before Cuattro's receipt of Customer's non-working Level 1 Equipment, Customer's non-functioning Equipment at Site for which Advanced Loaner(s) are sent, must be returned to Cuattro, within forty-eight (48) hours of Customer receipt of Advanced Loaner(s) or Customer shall incur a $250 per day late fee, until items are returned to Cuattro. Upon return to Customer of repaired or replaced Equipment for which Advanced Loaner(s) were sent, Advanced Loaner(s) must be returned to Cuattro, within forty-eight (48) hours or Customer shall incur a $250 per day late fee, until items are returned to Cuattro. Advance Loaner(s) delay or unavailability shall be solely remedied by Uptime Commitment. At Cuattro's sole discretion, Advanced Loaner may be offered as a permanent Advanced Replacement for a fee of $750.

In all cases in which Customer ships any Equipment, Advance Loaner or other items to Cuattro, Customer is solely responsible for freight damage and all costs due to inadequate Customer packaging of all items shipped to Cuattro. If Customer is unsure whether an item is packaged properly, Customer is encouraged to contact Cuattro prior to Customer's shipment.

Cuattro guarantees that your Equipment will be operable 99% of all operating hours (the **"Uptime Commitment**"). Equipment is considered inoperable under the Uptime Commitment if, due to Cuattro's design, manufacturing, material, or Support or Warranty failure or delay ("**Cuattro Delay**"), the Equipment is unavailable for acquiring and displaying radiographs for review on the CloudDR or Uno console during normal daytime operating hours. Peripheral equipment (anything not on the Equipment Schedule *and* sold by Cuattro to Customer) is excluded from the Uptime Commitment. Any inoperability time due to Customer Responsibilities not being met or for excluded services or Support or not solely attributable to Cuattro Delay is excluded from the Uptime Commitment calculation. If the Equipment is inoperable due to Cuattro Delay, the Equipment will be timed as out of service from the time the request for Service was received by Cuattro's designated facility until the Equipment is returned to Customer control for use to make an x-ray study on a patient, except that the following shall be excluded from any downtime calculation: (i) time outside Customer's ordinary business hours, (ii) time prior to the last clinical image generated and viewable on the Equipment, and (iii) time during which the Customer fails to provide Cuattro with immediate and unencumbered access to the Equipment. The amount of hours Customer's business is open during normal business hours, excluding nighttime hours and weekend/holiday hours equals the "Base Hours". Base Hours minus Planned Maintenance Hours equals the amount of hours, on which Uptime Commitment is calculated. Uptime is measured on a 26-week cycle; provided however, that in the event Customer's Warranty coverage is less than 26 weeks, all calculations will be prorated accordingly. If the Uptime Commitment is not achieved, Customer's sole and exclusive remedy shall be a refund calculated as follows, based on the average annual fee ("**AAF**") payable during the Renewal Term:

(i) If excess downtime is less than 0% of the Uptime Commitment, then Cuattro pays no refund to Customer;

(ii) If excess downtime is 0.1% to 3.0% of the Uptime Commitment, Cuattro will refund to Customer 1/52 of the AAF (i.e., one week's worth of the AAF);

(iii) If excess downtime is 3.0% to 8.0% of the Uptime Commitment, Cuattro will refund to Customer 1/26 of the AAF (i.e., two weeks' worth of the AAF); and

(iv) If excess downtime is greater than 8.0% of the Uptime Commitment, Cuattro will refund to Customer 5/52 of the AAF (i.e., five weeks' worth of the AAF).

This Agreement describes Customer's exclusive remedies and Cuattro's sole liability for any Warranty, warranty or Service claim.

SCHEDULE C. SOFTWARE SUPPORT AGREEMENT

For Software, licensed in conjunction with Equipment validly purchased, as determined by Cuattro, where such Software is validly covered by this Agreement and by a current, in force, paid up Software Support Agreement, Cuattro will provide the following:

Support Call Center: **1-877-243-6719 (24 hours per day / 7 days per week / 365 days per year) or support@cuattro.com**

Generally Available Release Updates and Fixes: No Charge

Generally Available Release Software Upgrades: No Charge

INITIAL SUPPORT TERM

The initial term of the Software Support Agreement shall be one (1) year (the "**Initial Support Term**"). The fee for the Initial Support Term of Software Support Agreement is included as part a valid purchase of Equipment and/or license of Software. In no event shall the Initial Support Term for any Software exceed one (1) year. No Support Agreement is transferrable to a third party without the express written permission of Cuattro, in Cuattro's sole discretion.

RENEWAL OPTIONS

Customer may have the option to extend the Software Support Agreement for one year intervals (each, a "**Renewal Support Option**" giving rise to a new Software Support Agreement), so long as Customer notifies Cuattro at least thirty (30) days prior to end of the current term. Once a Software Support Agreement expires, Customer's option to renew also expires. However, additional terms and renewal of Software Support Agreement may be available for purchase, in Cuattro's sole discretion. If accepted by Cuattro, the Renewal Support Option shall cover all Software licensed to Customer, subject to the terms, definitions, and conditions of the Software Support Agreement and this Agreement. Purchase of a Renewal Support Option is evidence of and contingent upon express approval from Customer to subject all of Software licensed to Customer to the latest Agreement and Software Support Agreement in effect on the date of commencement of the latest Renewal Support Option. The renewal rate for each Renewal Support Option, which can change without notice is:

PART #	DESCRIPTION	PRICE
W-SW-X1	VETERINARY (ALL) SOFTWARE SUPPORT AGREEMENT EXTENSION 1 YEAR	$1,500

To be eligible for Renewal Support Option, all Software must have, from the time of delivery from Cuattro; (i) been covered under a valid Software Support Agreement, continuously, without interruption or void incident, (ii) been validly used under Cuattro's EUSLA accompanying the Software, and (iii) been used only in accordance with the limits of this Agreement. Software Support Agreement is separate from and does not include Equipment Warranty Agreement.

FEES AND PAYMENT

The annual fee for each Renewal Support Option is billed and due, in advance, in one lump sum. For services that are not included as part of valid, paid up, current Technical Support Services, fees will be Cuattro's then current fee rate per hour plus the costs of materials.

1. Hourly Rate (Prorated per ½ hour blocks only): $250 per Hour
2. Travel Rate (Per Day, plus actual transit, lodging, dining expenses): Lesser of $2,000 per Day / $250 per Hour – 4 Hour Minimum
3. Customer who is covered by a valid, in force, paid up Warranty or Support Agreement, but requiring Service or Support for a non-covered, ineligible event may receive a thirty (30%) percent discount on parts, time, and materials.

All amounts are net of taxes or duties, which shall be added to the final invoice for such Renewal Support Option.

ADDITIONAL LIMITATIONS TO QUALIFY

1. Nothing in this Agreement shall obligate Cuattro to develop, create, test, release, support or provide for use, or sell any new software, Software, Upgrades, Updates, Fixes, or functionality ("**Software Enhancements**"). Software Enhancements are limited to generally available releases only.
2. CUATTRO IS UNDER NO OBLIGATION TO; (1) PRODUCE SOFTWARE ENHANCEMENT(S) THAT IS REVERSE OR RETROACTIVELY COMPATIBLE WITH EQUIPMENT. CUATTRO IS UNDER NO OBLIGATION TO UPGRADE EQUIPMENT OR CUSTOMER SUPPLIED ITEMS IN ORDER TO FACILITATE A SOFTWARE ENHANCEMENT. Software Enhancements may require hardware purchases, including possible necessary upgrades to Customer's Equipment ("Hardware Updates"). Hardware Updates that may be needed to make Software Enhancements operable to Specifications are specifically excluded and are Customer's responsibility. In the event that Customer's Equipment or Site cannot support features of a generally available released Software Enhancement, Customer may; (i) choose to upgrade Equipment at Cuattro's current pricing or (ii) choose to forego Software Enhancement while retaining the balance of the obligations and benefits of under the Agreement then in effect.
3. Customer acknowledges it is not reasonable, nor feasible for Cuattro to upgrade, update, fix or support Software versions that are older than two generations (as defined as a version number x.y.z where x or y advances by at least one numeral) from the most recent generally available release of the Software. In the event of a lapse in coverage or Customer's refusal or failure to cooperate to upgrade or update Software, Customer may be required to bring Customer's Software to the most recent generally available release, for a fee determined solely by Cuattro, to resume the benefit of obtaining Support, Updates, Fixes, and Upgrades to the Software. Customer and Cuattro agree to use commercially reasonable efforts to update, fix or upgrade Software covered under a valid, in force, fully paid up Software Support Agreement, no later than twelve (12) months after each generally available release of Software.

SUPPORT LIMITATIONS

Service(s) covered by this Software Support Agreement, and the terms and conditions of this Agreement, are only those specifically identified in this Agreement. Delays or inability to obtain Service(s), Equipment or Software may occur, in the event of technical difficulties with broadband services, firewalls or other matters, including Customer's failure to meet the conditions in this Agreement. Software Support Agreement, any validly, paid up Support Renewal Option, and associated Agreement then in force describes your exclusive remedies and our sole liability for any Service claims for Software.

Support and Service(s) are expressly limited to and conditioned upon Customer's acceptance of the terms and conditions of the Software Support Agreement. Breach of EUSLA or conditions of this Agreement may, in Cuattro's sole determination, void the breaching party's rights to obtain Service(s). This Agreement describes Customer's exclusive remedies and Cuattro's sole liability for any support or Service claim.

Exhibit D Logistics and Management Services

Subject to Section 3.5 and 6.4, LLC may provide and Vet USA shall pay for the services set forth below:

Those services set forth below that are solely for the benefit of Vet USA, and, pursuant to Section 6.4, the cost of which is 100% allocated to Vet USA:

1. Accounting
2. Purchasing
3. Order processing
4. Commission and third party lead fee processing
5. Management and facilitation of third party agreements
6. Payroll processing
7. Facilities Rent
8. Leasing and Rental transaction processing and costs
9. Collections and billing
10. Transaction paperwork processing
11. Sales Tax processing
12. Banking transactions processing and related fees processing
13. Vendor and Supplier transactions
14. Dead on Arrival testing
15. Product testing
16. Product and component intake processing
17. Research and development
18. Product management, documentation, and regulatory
19. Warranty and Support incoming and outgoing processing
20. Service and Support incoming and outgoing processing
21. Return Materials Authorization (in and out, including between LLC and Suppliers/Vendors)
22. General freight and mail in ordinary course of business
23. Management and oversight
24. Facilities, including rents and maintenance, and utilities
25. Equipment and software leases (office and industrial)
26. Information technology
27. Support and Services (including technical call center)
28. General and Administrative
29. Supplies, repairs, maintenance, training, printing, and other general expenses in the ordinary course of business
30. Insurance
31. Replacement and Service parts and components
32. Office and logistics software licenses (e.g. Microsoft, call center, video conferencing)
33. Used equipment recovery, intake, refurbishment, preparation for sale Services
34. Repair and Warranty Services
35. Other Services, Support, items, expenses, and materials related to the Products, in the ordinary course of business
36. Trade-show and marketing activities
37. Demonstration inventory and components management and logistics
38. Expense report management and payment

39. Human resources management and activities, including training, benefits, termination, hiring, and documentation
40. Payment (and review) of third party contractor expenses
41. General legal, accounting, and professional services utilization

Those services set forth below that are for the benefit of Vet USA and another affiliate of LLC, and, pursuant to Section 6.4, the cost of which is allocated pro rata on the basis of total gross revenues among Vet USA and all affiliates of LLC being provided such services from time to time:

1. Accounting
2. Purchasing
3. Order processing
4. Commission and third party lead fee processing
5. Management and facilitation of third party agreements
6. Payroll processing
7. Facilities Rent
8. Leasing and Rental transaction processing and costs
9. Collections and billing
10. Transaction paperwork processing
11. Sales Tax processing
12. Banking transactions processing and related fees processing
13. Vendor and Supplier transactions
14. Dead on Arrival testing
15. Product testing
16. Product and component intake processing
17. Research and development
18. Product management, documentation, and regulatory
19. Warranty and Support incoming and outgoing processing
20. Service and Support incoming and outgoing processing
21. Return Materials Authorization (in and out, including between LLC and Suppliers/Vendors)
22. General freight and mail in ordinary course of business
23. Management and oversight
24. Facilities, including rents and maintenance, and utilities
25. Equipment and software leases (office and industrial)
26. Information technology
27. Support and Services (including technical call center)
28. General and Administrative
29. Supplies, repairs, maintenance, training, printing, and other general expenses in the ordinary course of business
30. Insurance
31. Replacement and Service parts and components
32. Office and logistics software licenses (e.g. Microsoft, call center, video conferencing)
33. Used equipment recovery, intake, refurbishment, preparation for sale Services
34. Repair and Warranty Services
35. Other Services, Support, items, expenses, and materials related to the Products, in the ordinary course of business
36. Trade-show and marketing activities
37. Demonstration inventory and components management and logistics

38. Expense report management and payment
39. Human resources management and activities, including training, benefits, termination, hiring, and documentation
40. Payment (and review) of third party contractor expenses
41. General legal, accounting, and professional services utilization

Exhibit 21.1

SUBSIDIARIES OF COMPANY

Diamond Animal Health, Inc., an Iowa corporation

Heska Imaging US, LLC, a Delaware Limited Liability Company (54.6% owned)

Heska AG, a corporation incorporated under the laws of Switzerland

Sensor Devices, Inc., a Wisconsin Corporation (inactive)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements Nos. 333-102871, 333-30951, 333-34111, 333-39448, 333-47129, 333-72155, 333-38138, 333-55112, 333-82096, 333-89738, 333-106679, 333-112701, 333-115995, 333-123196 and 333-132916 of Heska Corporation (the "Company") on Form S-8, of our report dated March 14, 2013 relating to the consolidated financial statements of the Company, appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. We also consent to the reference to us under the caption "Experts" in the Registration Statements.

March 14, 2013
Boulder, Colorado

Exhibit 31.1

CERTIFICATION

I, Robert B. Grieve, certify that:

1. I have reviewed this annual report on Form 10-K of Heska Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2013

/s/ Robert B. Grieve

ROBERT B. GRIEVE
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Jason A. Napolitano, certify that:

1. I have reviewed this annual report on Form 10-K of Heska Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2013

/s/ Jason A. Napolitano

JASON A. NAPOLITANO
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert B. Grieve, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Heska Corporation on Form 10-K for the year ended December 31, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Heska Corporation.

Date: March 14, 2013

By: /s/ Robert B. Grieve
Name: ROBERT B. GRIEVE
Title: Chairman of the Board and Chief Executive Officer

I, Jason A. Napolitano, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Heska Corporation on Form 10-K for the year ended December 31, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Heska Corporation.

Date: March 14, 2013

By: /s/ Jason A. Napolitano
Name: JASON A. NAPOLITANO
Title: Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Heska Corporation and will be retained by Heska Corporation and furnished to the Securities and Exchange Commission or its staff upon request.