

CERTIFIED SEMEN SERVICES, INC.
AGREEMENT FOR
SEMEN IDENTIFICATION, AI CENTER ANIMAL MANAGEMENT, SEMEN QUALITY
CONTROL AND SIRE HEALTH AUDITING SERVICE

AGREEMENT CSS #12016

Certified Semen Services, Inc., hereinafter known as CSS and

_____ ,
an Artificial Insemination Business, hereinafter known as the A.I. Business do hereby agree to the following terms and conditions:

Purpose and Objectives: CSS plays a vital role in enhancing product quality through auditing and inspection of processes and systems relating to product identification, A.I. center animal management, semen quality control, sire health testing, and safety.

CSS standards require that participants utilize systems and processes that reduce risk factors that otherwise may lead to identification, semen quality control and or product safety errors.

Compliance with CSS standards will be assessed by on-site audits and ad-hoc communication. When an organization does not fully comply with a CSS standard, CSS will issue specific recommendation(s). Failure to implement a specific recommendation can ultimately lead to the loss of certification.

(Additional information about the "Business and Purpose" of CSS may be found in Article II. of the CSS Bylaws).

I. CSS and the A.I. Business agree that:

- A. The period of this Agreement ends December 31 of this calendar year.
- B. This Agreement is automatically renewed effective January 1 of each subsequent calendar year, providing conditions of the Agreement have been complied with and a statement of compliance attested to by the manager of the A.I. Business, has been filed with CSS.
- C. This Agreement may be terminated (1) upon mutual agreement; (2) for cause by CSS in keeping with the procedures for the conduct of Audits and hearings set forth herein or; (3) by CSS or by the said A.I. Business by giving 30 days written notice to the other party.
- D. If this Agreement is terminated, no part of the previously paid fees will be refunded, but no additional fees will be assessed and payable after the date of termination.
- E. Upon execution, this Agreement shall supersede and terminate any prior agreements for auditing services between the parties.

II. The A.I. Business agrees to:

- A. Pay to CSS the following fees:

1. \$1,650 annual location fee within sixty (60) days following the beginning of each Agreement year.
2. \$1,650 annually for each location beyond the principal location, payable within sixty (60) days following the beginning of each Agreement year.
3. Five-tenths cent (\$0.005) per breeding unit of beef and dairy semen produced and sold in the U.S. and all other countries from bulls owned or leased by said A.I. Business, payable quarterly within 45 days after the end of each quarter of the Agreement year.
4. Five-tenths cent (\$0.005) per breeding unit of beef and dairy semen custom frozen, payable quarterly within 45 days after the end of each quarter of the Agreement year, and
5. A penalty of one percent (1%) per month shall be added to any payments not paid when due as above described.

B. Comply with the following provisions related to semen identification:

1. Accept responsibility for accurate identification of semen from point of purchase of the sire to original point of sale of the processed semen, and further to follow practices and procedures that will provide for accurate identification of each breeding unit of semen produced and sold, including:
 - a. Accept responsibility for accurate identification of bulls custom collected or have on file a proper affidavit from the owner verifying the identity of the bull collected.
 - b. Inform owners of bulls that have been genomically tested prior to entering the AI business of their responsibility to verify the SNP genotypes of their bulls used for genomic evaluation and parentage verification.
 - c. Develop and follow routine procedures and establish internal controls that will provide for accurate semen identification consistent with standards as established by CSS.
 - d. Label each breeding unit of semen produced by it with the:
 - (1) Registration name and number of the bull
 - (2) Collection code
 - (3) A.I. Center (Stud) code number assigned by the National Association of Animal Breeders
 - (4) Breed Code
 - (5) Bull's number assigned by the A.I. Business
 - e. Label alternative semen products according to policies determined by the CSS Board of Directors.
 - f. Maintain records for a period of six years showing all:

- (1) Sire purchases and leases
 - (2) Semen collections
 - (3) Semen shipments
- g. File a record of the blood type/DNA profile as required by the appropriate breed association for all registered bulls owned and leased by the A.I. Business whose semen is frozen and all living parents of such bull not blood typed/DNA profiled.
 - h. Inform the owners of all registered bulls being custom collected of the blood typing/DNA profiling requirements of the appropriate breed association and report each bull the first time semen is collected to the respective breed association.
 - i. Accept and cooperate in an annual Semen Identification, A.I. Center Animal Management, Semen Quality Control and Sire Health Audit by a representative of CSS giving such representative complete access to all phases of semen production and related identification functions; as well as make available all records pertinent to this Agreement for examination by the person making the Audit.
 - j. Cooperate with CSS to implement changes required to comply with the CSS agreement.
2. Provide and maintain accurate records of original sale of semen, including sale in conjunction with insemination.
 - a. Use CSS Approved Semen Identification Forms for recording information at the point of original sale and further to provide one of the following:
 - (1) A CSS Approved Standard Breeding Receipt accurately recording the required information (see Exhibit A) for the semen sold to the owner of each cow bred by an Employed Technician or an Affiliated Technician if requested by the owner.
 - (2) A CSS Approved Multiple Animal Breeding Receipt.
 - (3) A CSS Approved Sales Invoice to each purchaser of semen on a direct sale basis accurately identifying all semen in each individual purchase shipment. Each Employed and Affiliated Technician or Sales Representative shall be provided with prenumbered CSS Approved Sales Invoices.
 - b. Maintain or provide a structure that will permit reproducing complete records of all semen sold by Employed Technicians, to Affiliated Technicians and to authorized Sales Representatives for the preceding four years.

3. Assist in accurately identifying the cow inseminated when such insemination is performed by an Employed or Affiliated Technician, including:
 - a. Accept responsibility for the accuracy of the recording of information by its Employed and Affiliated Technicians on each Breeding Receipt or Sales Invoice issued in its name, but under no circumstances be responsible or liable for accurately identifying the individual animal presented for insemination.
 - b. Assist with any additional reasonable procedure that might help to identify the individual animal presented for insemination and to identify resulting offspring.
 - c. Maintain or provide a structure in line with industry standards that will permit reproducing complete individual herd insemination records for the insemination services performed by the A.I. Business' Employed and Affiliated Technicians for the preceding six years.
4. Make available adequate training for each Employed and Affiliated Technician and other employees involved in semen identification and coordinate their activities in accordance with the responsibilities outlined in this Agreement.
5. Assist in resolving alleged misidentification of semen processed by the A.I. Business and offspring from the use of such semen, including:
 - a. Blood typing/DNA profiling necessary to clarify matters of identification and parentage for registered cattle shall be conducted by the laboratory designated by the appropriate breed association.

Assist the appropriate breed associations and CSS in any investigative work required to resolve alleged misidentifications.
 - b. Cooperate in the conduct of any additional blood typing/DNA profiling requested by CSS in maintaining accurate identification of semen and investigating alleged misidentification in registered and grade livestock of any species.
 - c. Assume financial responsibility for clarifying questions of identification and parentage created by said A.I. Business and its representatives when proven at fault.
6. Accept Definition of Terms used herein in connection with any construction of this Agreement as shown by Exhibit "A" attached.

C. Comply with the following provisions for semen quality control:

1. Accept responsibility for developing, documenting, and following a comprehensive semen quality control program with a goal of helping to insure that each breeding unit of semen produced contains sperm of adequate quantity and quality to achieve "normal" fertility in producer's herds.

2. Agree to implement industry developed and recommended minimum procedures for semen quality control monitoring through CSS.
3. Provide details of your semen quality control procedures, minimum standards for pre-freeze and post-thaw quality and sperm numbers per breeding unit for review and approval during the CSS audit and by ad hoc communication.

These details will include but are not limited to:

- a. Sperm enumeration procedures including equipment calibration methods and frequency of calibration.
 - b. Semen extension rate information and parameters used to determine minimum/maximum sperm per straw.
 - c. Pre-freeze and post thaw evaluation information.
 - d. Semen discard data.
 - e. Visual post-thaw microscopic evaluation procedures.
 - f. Written procedures and internal standards for semen quality control.
 - g. Procedures followed for semen quality exceptions.
 - h. Physical identifier for semen below quality control minimums if applicable.
4. Provide information on training/experience of personnel to demonstrate they are competent and adequately trained for quality control work.
 5. Agree to accept reasonable recommendations of the CSS auditor regarding semen quality control standards for compliance and evaluation of competency.
 6. Agree to submit representative semen samples to designated central testing or reference laboratories on occasion as may be needed.
 7. Agree to participate in evaluation of semen samples in a "round-robin" quality assessment program as applicable.

D. Comply with the following provisions for Sire Health:

1. Assume responsibility to inform the owners of bulls from which semen is custom collected of:
 - a. The potential for transmission of disease via fresh and frozen semen.
 - b. Customary industry practices with respect to health of bulls.
 - c. The existence of any state regulations relative to bovine semen.
 - d. The existence of regulations relative to the exportation of bovine semen from the United States to most foreign countries and that semen processed under the "CSS Minimum Requirements for Disease Control of Semen Produced for A.I." may not meet the provisions of such regulations.
2. Utilize the CSS label "Health Certified Semen" only in regard to semen from bulls residing in "CSS Certified" facilities. Semen produced from bulls in a "CSS Certified" facility meets or exceeds all of the provisions outlined in the "CSS Minimum Requirements for Disease Control of Semen Produced for A.I." The CSS auditor will certify either an AI Business or specific areas

within an AI Business "CSS Certified" when conditions comply with or exceed the "CSS Minimum Requirements for Disease Control of Semen Produced for A.I." set forth in Exhibit "B" and "CSS Certified Facility Requirements/Conditions" set forth in Exhibit "C" attached hereto and as they may be amended consistent with changing industry practices.

- a. Imprint the CSS logo only on semen packages containing CSS "Health Certified Semen" as defined in paragraph "D.2" above.
- b. Comply with the following provisions when displaying the CSS logo and otherwise publicly reporting affiliation with CSS:

- (1) If all semen advertised and sold by the A.I. Business is processed in compliance with the "CSS Minimum Requirements for Disease Control of Semen Produced for A.I." said A.I. Business may display the CSS logo at its discretion and may include the words "Health Certified Semen" or "Exclusive" in association with the use of the CSS logo.

If imported semen is marketed by the A.I. Business, it complies with the CSS Imported Semen Policy, the CSS Board of Directors will determine compliance of said semen with the provisions of the CSS Agreement, as well as appropriate logo usage in advertising, after consideration of the merits of the health testing protocol of the originating A.I. center with respect to the prevention of disease transmission.

- (2) If all semen processed by the A.I. Business's custom freezing service is in compliance with the "CSS Minimum Requirements for Disease Control of Semen Produced for A.I." said A.I. Business may display the CSS logo at its discretion and may include the words "Health Certified Semen" or "Exclusive" in association with the use of the CSS logo.

- (3) If only a portion of the semen produced by the A.I. Business is produced in compliance with the "CSS Minimum Requirements for Disease Control of Semen Produced for A.I." said A.I. Business may display the CSS logo with the word "Available" in association with it when advertising custom freezing services and shall be consistent with a format provided by CSS.

3. Maintain the records of health tests completed on each bull for a period of six (6) years from the date of such tests.

E. Comply with the following provisions for A.I. Center Animal Management.

1. The A.I. business expressly authorizes CSS, its employees, or representatives who are duly authorized by the CSS Board of Directors to examine pertinent records and facilities owned by the AI Business for the purpose of evaluating compliance with the "CSS-AI Center Animal Management Guidelines".

- F. Comply with provisions of the USDA-CSS Inspection Checklist for Approval of Bovine Semen Collections Centers (SCC) for Export (other than for export to the European Union or any other country with specific requirements) per the current MOU between NAAB/CSS and USDA-APHIS.

The undersigned A.I. Business does further agree that an authorized USDA-APHIS representative may accompany the authorized CSS representative on the audit.

- G. The undersigned A.I. Business does expressly authorize CSS, its employees, or representatives who are duly authorized by the CSS Board of Directors to examine the records and facilities owned by the undersigned A.I. Business for the purpose of making Audits provided for under this Agreement. Nevertheless, A.I. Business may refuse such access to CSS employees, representatives, or Board members who, in its reasonable discretion, the A.I. Business believes would pose a potential conflict of interest to those of the A.I. Business.

The undersigned A.I. Business does further agree to implement any necessary improvements outlined by the CSS auditor. Proof of implementation must be provided to the CSS auditor by a mutually agreeable assigned deadline date. Failure to comply may result in the termination of this agreement.

The undersigned A.I. Business does further authorize CSS to make such Audits and gather such information as it deems necessary in the event a written complaint is filed with CSS in connection with the sale and delivery of any semen produced by the undersigned A.I. Business in accordance with this Agreement.

The undersigned A.I. Business does further expressly authorize CSS to terminate this Agreement when the results of the Audit and other conduct of the undersigned A.I. Business does not meet the standards and procedures as established by CSS; subject to rights of restoration under the procedures set out in Section V. on Appeals.

III. CSS agrees to:

- A. Be responsible for, participate in, and aid in providing a Semen Identification, A.I. Center Animal Management, Semen Quality Control and Sire Health Auditing Service to said A.I. Business which is uniform with the Auditing Service provided all other such A.I. Businesses under Agreement with CSS, including:
1. Provide a complete report of the Audit to the President and Manager of the A.I. Business including notice of any violations and specific recommendations, where pertinent, to improve semen identification, A.I. center animal management, semen quality control and sire health procedures, with said report to be provided within thirty (30) days following completion of the Audit.
 2. Assist the A.I. Business with the development of necessary improved procedures and controls for accurate semen identification, A.I. center animal management, semen quality control and an approved sire health program. The CSS auditor will determine a mutually agreed deadline date for implementation of improved procedures and controls.
 3. Authorize the A.I. Business to display the appropriate logo when in the

judgment of CSS, the conditions of this Agreement are fulfilled.

4. Provide an Appeal for the A.I. Business when in disagreement with the judgment of CSS.
 5. Respect the right of said A.I. Business to exercise jurisdiction over all employees for whom it assumes responsibility.
- B. Consult with other organizations or organized groups with responsibilities for semen and animal identification, A.I. center animal management, semen quality control and health of bulls producing semen for A.I. when making significant changes in the Auditing Service in an effort to assure that the Auditing service will continue to meet the reasonable needs of these organizations to carry out their respective animal identification responsibilities, A.I. center animal management, semen quality control, and sire health programs.

This may include conferring with USDA-APHIS regarding qualification of the semen collection center for bovine semen exports.

- C. Assist in resolving alleged misuse or sale of semen processed by the A.I. Business which does not meet the conditions of this Agreement. Cooperate to the extent reasonable and practical in assisting in the clarification and resolution of problems of parentage and identification and sire health when the A.I. Business or user of semen that has been provided by the A.I. Business files a formal "Request for Investigation Study."
- D. Notify the President and Manager of the A.I. Business at any time that a complaint is lodged against the A.I. Business that is of a nature that indicates the need for a special investigation by CSS. Said notification shall include appropriate notice of the nature of the complaint and the nature of the investigation that will be conducted by CSS.

IV. Indemnification:

The undersigned A.I. Business does further agree to indemnify and hold CSS, its agents, officers, employees and representatives harmless from any third party claims arising from a CSS report of investigation created or performed under this Agreement, provided that such indemnity shall not apply if the relevant CSS report knowingly included false information or other misrepresentations about the A.I. Business.

V. Appeals:

In the event that the undersigned A.I. Business is dissatisfied with any decision that would terminate this Agreement or any decision by CSS not to reinstate the A.I. Business after termination, the A.I. Business shall be entitled to appeal said decision in the manner set forth below. If the A.I. Business files an appeal to the decision to terminate its Agreement, this Agreement cannot be officially terminated until the Appeals procedure herein described is complete.

- a. The undersigned A.I. Business shall notify the President of CSS in writing of its desire to appeal the decision described above within thirty (30) days after the date of mailing of the written decision to which the appeal is directed. Said request shall state in

writing what act or actions of CSS or its employees, officers, agents or representatives is improper to which the undersigned A.I. Business objects and reason for said objections.

- b. Upon receipt of such written appeal notice, the President shall schedule said appeal for hearing at the next meeting of the Board of Directors of CSS. The matter may be heard at a regular meeting of the Board of Directors or at a special meeting but the appeal shall be heard no later than ninety (90) days after said appeal request is received.
- c. The Board of Directors shall proceed to hear said appeal at said meeting of the Directors and the undersigned A.I. Business or its attorney or representative shall be entitled to present the basis for said appeal at said meeting. CSS officers or employees who make the determination shall also have the right to present to the Board of Directors the reason for their decision on the disputed issue. The Board of Directors shall then after hearing said appeal, vote to determine whether the actions of the representatives of CSS shall be overruled. In the event that a majority of the Board of Directors present for said meeting vote to overrule the action of the CSS representatives, that appeal shall be sustained and the action appealed from shall be rescinded. If a majority of the Board of Directors does not vote in favor of overruling said action, the action taken by the representatives of CSS shall stand.
- d. In the event the appeal is denied, the A.I. Business may at that time apply for a new Semen Identification and Sire Health Auditing Service Agreement with CSS and if CSS is satisfied that the defective practice has been corrected, the A.I. Business may be granted a new Agreement by CSS. If the request for a new Agreement is denied, the A.I. Business may appeal said denial in the manner set out above. If said appeal is sustained the A.I. Business shall be restored to the full rights of said Agreement, but the applicant shall have no claim against CSS, its officers, employees, agents or representatives for any liability in connection with their decision regarding termination or readmission.

VI. Representations:

The undersigned A.I. Business does hereby acknowledge and agree that only the employees of CSS shall be entitled to conduct the semen identification, A.I. center animal management, semen quality control, and sire health audit provided for under the agreement, and that the undersigned A.I. Business acknowledges that neither the A.I. Business nor any of its agents, servants, or employees shall be entitled to conduct such audit services as called for under the Agreement and are not authorized to represent to any third party that the A.I. Business or its agents, servants, or employees serve as agents for Certified Semen Services, Inc., nor shall they represent that they are entitled to make representations on behalf of Certified Semen Services, Inc.

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